

AGRICULTURE - Credit 1952 thru 1954

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## INSTRUCTIONS FOR AGRICULTURAL ADVANCES UNDER SUPERVISION

Pursuant to the Agreement concluded between the Iraq Government and the Technical Co-operation Administration of the United States of America in Baghdad for carrying out the method of Agricultural Advances under Supervision in Iraq, the Board of Directors of the Agricultural Bank have decided to issue the following Instructions:-

Article 1 Definitions:

1. District means the region or regions selected by agreement between the Bank and the Technical Administration Co-operation. It shall be announced in order to carry out the method of Agricultural Advances under supervision for the benefit of small cultivators who desire to apply for such advances.
2. Small Cultivator means a cultivator <sup>owning</sup> agricultural land not exceeding 400 masharas (a masharah equals 2500 sq.m.) whether irrigated by flow or by mechanical pump or garden areas not exceeding 20 masharas. Excess over these two limits shall be permitted if it does not exceed 10 donums in the cultivated land or two donums in the garden areas.
3. Committee for making Advances under Supervision:
  - a- The Committee shall consist of the Bank Representative (the expert approved to make advances under supervision at the present time) and three members, one being the elder of the village, such as the sirkal, or mayor or some person held in high esteem and respect by the villagers, and to whom they refer for the regulation of their social relations according to local practice; the second the Muktar (Mayor) of the village and the third a prominent villager with a comprehensive knowledge of the condition of the cultivators. If the first member, the elderman of the village, is also the mayor he shall be replaced by a villager of good reputation and holding the same social position as the third member. The member must normally be permanently resident in the village. The term for membership must be for one year, which may be renewed once only for an additional year.
  - b- Nomination of persons having the above mentioned qualifications shall be made by the administrative authorities, such as the Mutassarif or the Qaim-makam, within his area of jurisdiction according to the administrative divisions of the country. If, for any reason, a vacancy occurs in the Committee it shall be filled by a person of as good reputation as that of his predecessor on whose account the vacancy arises. The new member shall complete his predecessor's term as from the latter's date of appointment.
  - c- In accordance with these Instructions no member of the Committee shall be entitled to receive an advance under supervision.

Article 2.

The section concerned with making advances under supervision, at the Head Office, or Branches of the Bank in the liwas where it shall be decided to carry out the method of granting loans under supervision, shall explain the method orally but fully to the applicants who come within its area of jurisdiction. The Section shall explain to them that whether they will be granted an advance at all depends upon their accepting the Bank's Instructions and undertaking to comply with the agricultural program which the Bank's Representative draws up for them for the exploitation of their fields in a manner conducive to the improvement and development of agricultural methods, and conducive to the increase of production and to the raising of their economic and social standards through the Bank's supervision over their methods of using the advances granted to them and through managing their fields, and gathering their crops and yields and selling the same in order to ensure the payment of debts due to the Bank or other debts out of the proceeds of their yields and ~~and their crops~~ in such a way as to ensure a better regulation of their affairs in the future. It must be emphasised to them that advances granted to them by the Bank are made either in a single payment or in many payments according to their agricultural requirements, at a single season or at various seasons in compliance with the Committee's recommendation and with the suggestions of the expert authorised to make advances under supervision. If they decide to apply for advances in this manner after the same having been explained to them in detail, their acceptance must be entered in writing on the application form.



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### Article 3

The security and the amount of the Advance:

- 1- Securities for advances granted by this method shall be either movable or immovable property, according to the details of Article No. 10 of the Agricultural Bank Regulation No. 40 of 1947.
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- 2- A sum not exceeding 500 dinars may be advanced to a small cultivator for a term not exceeding five years. The advance shall be paid either in one instalment or in successive instalments as explained in para (6) of Article 4 of these Instructions.
- 3- Percentages in respect of securities provided under Article 13, (a) and (b) of the Agricultural Bank Regulation No. 40 of 1947 shall be observed in fixing the amounts to be advanced to cultivators

### Article 4

Procedure for the Transactions and the Duties of the Committee:

- (1) The Section for Advances under supervision at the Head Office shall be competent to deal with transactions for making advances, which shall be carried out in the above manner, and the same procedure shall be followed as in use at the present time for drawing up the form of an application for an advance, and the declarations contained in the application itself, with the exception of the declaration forms made by the administrative authorities, since the Committee shall represent the administrative authority in inspecting the position, reputation and the requirements of the applicant and whether he has agricultural objects, and whether he is carrying out his agricultural affairs directly or through 'fellaheen' (peasants), and the extent of the fellaheen's relation with him as far as the rights and the private duties of each party are concerned, under the contract concluded between them or according to local practice.

These declarations shall be written on a special form which shall be drawn up for this purpose and sent together with the other papers.

The Branches of the Bank, in the other Liwas where it will be decided to adopt this method of making advances under supervision, shall regulate the documents of the transactions according to the above-mentioned rules.

- (2) The documents of the transaction, after being drawn up, shall be referred to the person appointed by the Bank as representative, who shall hold a meeting of the Committee and the local Tapu Officer on the date fixed by them for the purpose of making investigations concerning the applicant for the advance according to the details mentioned in the above paragraph. If the investigation reveals that the applicant really needs the advance requested, the Committee shall inspect the securities and assess the value thereof jointly with the representative of the Bank and the Tapu Officer. The result of the inspection and assessment shall be written on the special form together with the amount which the Committee believes should be advanced to the applicant for his present and future agricultural objects.

The formalities of the transaction shall be abbreviated in order to facilitate the procedure before the applicant. The Tapu Officer, immediately after completing the inspection and the assessment of the ~~property~~, shall write down his answer to the questions stated in the form concerning the condition of the ~~property~~, and whether ~~it~~ ~~they~~ are subject to some attachment which prevents the Bank from accepting them as securities.

- (3) The applicant shall pay in advance a fee of two dinars to be shared equally among the members of the Committee and the Tapu Officer, with the exception of the representative of the Bank (whether he is the Supervisor of advances or an expert delegated to make advances under supervision). However, the applicant shall not recover this fee whether the Committee recommends the advance requested in whole or in part, or whether it refuses to make any recommendation whatsoever. Moreover, the applicant shall be responsible for providing means of transport for the members to and from the place where his ~~securities~~ ~~are~~ situated as in the case of all other transactions.

m. H.   
 26/6/1954



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(4) If the procedure of the transaction is carried in the manner shown above, the documents of the transaction shall be sent to the Head Office to be examined and checked by the Section for making Advances under Supervision, and, ~~and, / or~~ shall be submitted to the general manager together with a complete outline of the transaction containing the nature of the security, the kind of its soil, the manner by which it is irrigated, its cultivability according to the seasons, the value of its assessment and the agricultural objects which were ascertained by the Committee, the amount recommended by the Committee to be granted as an advance according to the importance of these objects, and the manner of the applicant's dealings with the Bank if ~~as~~ he had been granted a previous advance, and the ~~proceeds~~ *recommendation* of the Section concerning the present transaction as a whole.

(5) No advance shall be paid to the applicant thereof, unless, after <sup>the</sup> regulations of the advance voucher and the proper notices and the entry of the note of attachment against the security at the Department of Tapu, if the property is immovable, or after sanctioning the advance voucher at a notary public, if the securities are movable.

(6) The advance which is decided to be granted shall be paid to the applicant as a whole if it equals the amount ~~recommended~~ recommended by the Committee or is less. However, if the advance exceeds the amount, it shall be paid according to the following manner:-

a- Only the amount recommended to be advanced by the Committee shall be paid out, and the remainder shall be entered for the borrower in a special account for liabilities and obligations called 'liabilities for borrowers under supervision' for a term of 6 months. Interest shall be charged on the paid and recommended sum for the six months.

b- The borrower may withdraw the amount entered for him in the account for 'Liabilities for borrowers under supervision' either in a single payment or in successive payments during the said six months, provided he makes an application for that purpose explaining his requirements in detail and the expert delegated for making advances under supervision sanctions these requirements after making, for this purpose, a local inspection and investigation. Interest shall be recovered on every amount paid to him out of the above account in this way for the remaining 6 months and that as from the date of payment.

c- The amount of the advance shall be limited by the total of all the amounts paid to the borrower from the amount of the advances granted to him for ~~the~~ the 6 months period in accordance with the paragraphs (a) and (b) supra. He shall be asked to repay the interest on the amount of the advance for a further period of six months in order to complete the benefit of the advance for the first year. The borrower shall forfeit his right to withdraw what remains to his credit in the above mentioned account, after the expiry of the said term. ~~What remains to him then shall be~~ What remains to him then shall be registered in his favour as credit on the account of the advance.

#### Article 5

#### *Diversification*

Improvement of Agriculture and the development of its methods.

The principal objects of the method for making advances under supervision are to ensure ~~variations~~ *diversification* of agriculture in agricultural fields and the development of its methods by using modern means such as agricultural machinery, chemical manure, and raising the economic and social standards of the applicants. In order to achieve these objects the Bank may supervise the manner in which the borrowers use the advances granted to them, the management of their farms and the gathering of their crops and the sale thereof guaranteeing the repayment of the debt of the Bank, and other debts out of the proceeds of these crops and yields in such a way as to ensure regulating their affairs in the future. At the same time, the Bank shall not hesitate to guide the cultivators to buy improved kinds of seed and chemical manures and new agricultural machinery in order to use the same in their fields, and shall instruct them as far as possible, how to use ~~all these things~~ *all these things*. In such cases, the prices of the items which the borrower desires to buy shall be paid out from the amounts of the advances.

#### Article 6.

The rules of the Agricultural Bank and the Regulations issued thereunder shall be observed in all ~~the~~ questions left undiscussed in these Regulations or left without detailed explanation.



TRANSLATION

**The Iraqi Agricultural Bank, Baghdad.**

**No. M/56**

**Date: May 12, 1953**

**To: Ministry of Finance**

**Subject: Agricultural loans scheme under supervision.**

With reference to our letter No. M/53 dated the 7th of May, 1953 we state hereunder the decision which has been taken by the Bank's Board in its sixth meeting held on the 5th of May, 1953 about the scheme of agricultural loans which should be under supervision for your Ministry to study it and to furnish us with your opinion about this subject.

The proposals which had been referred to us by the TCA had been submitted to the Banks Board - proposals connected with the scheme of agricultural loans which is proposed to be signed between the Iraqi Govnt. and the TCA - and the Board observed that the purpose of this scheme is to train the small farmers on how to utilize the agricultural loans in improving their field products, increasing their income, encouraging the independent ownership of small fields and raising the farmers standard of living. The main elements and basis which should be followed to attain the goal were included in the proposals and these elements are:-

- 1 - One Qada or two Qadas are to be selected and that by agreement between the Bank and the TCA for the purpose of carrying on this kind of agricultural loans as an experiment for a period of 3 years, provided there is in the selected Qada or two Qadas a large number of the small farmers who own the lands they are working on or those who utilize small fields by land rent and wish to become land owners instead of renting the land; as well as there should in the selected Qada agricultural lands available for selling to be bought by the scheme.
- 2 - The TCA provides a specialist having qualifications in agricultural loans to supervise the activities of the farmers who receive the loans in their fields and within the limits of the selected Qada or the two selected Qadas and that for the purpose of being sure that the farmers are following the program put down for their fields when they receive the agricultural loans.
- 3 - The agricultural Bank has to provide two competent Iraqi men to be assistants to the supervisor of agricultural loans and care has to be taken in selecting the two as they are supposed to become in the long run-supervisors when they get enough training and experience enabling them to do the job properly in other districts when the scheme covers other areas in the future.
- 4 - The Agricultural Bank has to provide the required funds to be given as loans according to this scheme together with paying the administrative expenses required for applying the scheme; and to prepare the suitable offices for the specialised officers in the main centre of the Bank at Baghdad and in the selected Qada or two Qadas.



- 5 - The Agriculture Bank has to provide all means of transport needed by the supervisor and his assistants including also their living expenses and housing during their travels inside Iraq.
- 6 - The United States Government has to pay the salary and allowances of the supervisor together with the travel expenses to him and to his family internationally and to carry his house furniture and luggage.
- 7 - The scheme is to be directed by the supervisor of the agricultural loans under the supervision of the Agricultural Banks' Director and that according to the rules and regulations of the Bank in addition to the special rules put down for that purpose.
- 8 - The loans given according to this scheme should be specified for two purposes - for production and bying lands. Loans should not be granted except to the real farmers staying in the selected Qada or two Qadas who can't get enough funds from other direction. These loans may be guaranteed through mortgage of land, equipments, cattle or by laying hand on the products and cereals set for selling.
- 9 - Production loans ought to be for periods approved by the supervisor provided the period doesn't exceed 3 years subject to renewal for an additional period not exceeding 3 other years according to the recommendation of the supervisor after which it is not allowed to renew the period another time except through a written approval by the Director of the Agricultural Bank,
- 10 - The loans for bying lands ought not to exceed 50% of the estimated value and for periods agreed upon by the supervisor and the Director of the Agricultural Bank provided it doesn't exceed (20) years. The value of lands be bought should be estimated in a mutual way by the supervisor and the Agricultural Bank and the final payments paid by the buyer of such lands should not exceed the value estimated.
- 11 - Production loans given to one farmer should not exceed I.D.300 and should not be more than 90% of the value of cattle, cereals under mortgage and the seized products including the sets and stuff which had been bought by the loan.
- 12 - The funds required for buying house equipments and materials for consumption should be fixed in away not to exceed 20% of any loan.
- 13 - Loans for production or bying lands will not be granted except after all things found in the applicants' field are estimated by the supervisor and after putting down a plan or a program to the field approved by the supervisor and including all what is needed to be bought by the funds borrowed together with preparing a schedule for repayment showing clearly that the loan is within the economical capacity of the debtor to repay it out of his field products.
- 14 - The special regulations connected with levying the loans together with the due dates of the surplus or the original funds and other things will be related to the repayment section according to the ordinary measures of the Agricultural Bank; and these should be stated clearly in the fields' program.



15 - The supervisor on the agricultural funds has to prepare a report about the scheme works every six month and to forward it to the Agricultural Bank and the TCA. For preparing this report he has the right to have a look at all records connected with this subject and the loans which had been granted according to the scheme by the Agricultural Bank. Enough records should be kept to compare between the advantages of the supervised and controlled scheme and the present uncontrolled way. Also a common report should be prepared by the Agricultural Bank and the TCA before the scheme ends summarising in it the accomplished works, the loans that had been granted, the supervision on these activities, the amount of loss as well as the report should show the benefits and improvements that had effected the agricultural production and the standard of living of those who had been granted the loans according to this scheme.

After discussing this subject, the Board noted that this scheme may be divided into two parts one part independent of the other. The first part is to grant loans for the purpose of increasing production and raising the standard of living of the small farmers. The second part is to grant long term agricultural loans for the purpose of buying agricultural fields enough to maintain the living of the farmer and his family. As the Bank had studied previously the scheme of agricultural long term loans thoroughly and had prepared a special bill for legislation by the higher authorities, this scheme will be carried on by the bank directly in all parts of Iraq at one time and so in this case the bank finds no necessity for discussing this subject which is part of the proposals put down on this scheme. As regards the other part connected with granting loans for the purpose of increasing production, buying home equipments and raising the standard of living of the small farmers, the Board welcomes it as an experimental scheme to be applied in Iraq for the first time. But the Board observed that the scheme permits that the loans of production may be guaranteed by the mortgage of sets, cattle, land, products and cereals set for selling for a period of 3 years subject to renewal for other 3 years. As the cattle and sets can't guarantee the rights of the Bank for several reasons among which are: the law in Iraq doesn't allow selling of the debtors' house furniture for the purpose of levying the debt due on him, the lack of Iraq for stores in which to keep the agricultural products, the cattle under mortgage may perish during the period of the loan or might be sold before the Bank tries to sell it and levy the loan in addition to that, article (17) of the Banks Regulation doesn't permit to accept the agricultural products as loan guarantee for a period more than one year.

Upon that the Board sees that the loans of production should be guaranteed by the lands or the agricultural machinery only, or by the guarantee of the Ministry of Finance provided when these loans are renewed the percentage stated in Article (13) of the Banks Regulation connected with the value of these guarantees is followed and that according to their nature; and to amend what is contrary to that connected with what had been stated in the proposals dealing with this subject on that basis and then to forward a copy of it in its present shape to the Ministry of Finance together with this decision for studying.

Akram Zainal  
General Director and President  
of the Board of Directors.



**TRANSLATION**

The Iraqi Agricultural Bank  
Baghdad.

No. 8968

Date: May 13, 1953

To: Dr. Lewis Rohrbaugh, Director of the TCA, Baghdad.

I had submitted to the Board of Directors of the Bank the proposals which you had referred to us about the scheme of agricultural loans to be applied in Iraq as an experiment and to be under supervision. I am glad to forward to you a copy of the decision which has been taken by the Bank's Council in its meeting held on the 5th of May, 1953 about this subject for your information.

As this decision has been submitted to the Ministry of Finance, I'll furnish you with future things connected with the development of this subject.

Sincerely yours

Akram Zainal  
Director General and President  
of the Bank's Board of Directors.

FILE COPY



*Office Memorandum* • UNITED STATES GOVERNMENT

TO : ✓ Chief, Agriculture Division  
Chief, Land Settlement Division

DATE: *July 19, 1953*FROM : Lewis H. Rohrbaugh *vr*

SUBJECT: Agricultural Credit Project

Here is a report of the action taken by the Board of the Agricultural Bank.

Do you think appropriate, Dr. Hammar, to send TCA/Washington, informally for information of USDA, a carbon copy of our draft arrangement, covering letter plus the attached, referring it to our earlier communication I believe we sent telling them we have agriculture credit project under discussion.

*Done.**5780.112**Ag. Credit*



Files

April 14, 1953

Lewis H. Rohrbaugh

Ministry of Finance  
Public Administration  
Agriculture  
Miri Sirf

3-14-53 Conference - H. E. Ali Muntaz, Minister of Finance; and  
Lewis H. Rohrbaugh and Paul E. Smith, TCA

1. Financial Experts Requested: LR went over with H.E. the credentials of Mr. Jackson who had been recently nominated by the Department. H.E. indicated that he thought Jackson would do very well. LR indicated that Jackson's coming out would be started at once and that in the meantime a nomination would be sent through formal channels. LR indicated that he has as yet no further details on the other two experts—one in general fiscal policy and operations, and the other in customs.

2. Project Arrangement, etc.: Picking up where this item had been left at a previous conference LR went over the fact that now, as had been discussed, TCA would reply to the Ministry of Foreign Affairs' note submitting a project arrangement and he reviewed the contents of this project arrangement with the Minister. The Minister concurred. And as indicated above LR indicated that a formal nomination of Jackson would go forward but that neither of these matters would interfere with rapid action on getting Jackson out here. The Minister delighted.

3. Miri Sirf: Expanding a bit on H.E.'s general role in connection with land use and land production, including taxes, etc., LR reviewed with him the general contents of the recently signed Miri Sirf agreement. H.E. indicated that he had had a general idea of it because it had come up and had been passed by the Council of Ministers but that he was glad to have this copy for himself so that he would have it for ready reference. LR then went over with him the procedure calling for joint schedule of allocations, reviewed the action of the Development Board in originally allocating funds, an allocation which had expired but which has recently been renewed in connection with the Miri Sirf's committee's cooperation, etc., etc. A copy of this was not left with the Minister and this was merely being certain that he, who has such an important role both in connection with the allocation of budgetary funds for the Miri Sirf and in connection with work of the Development Board, is fully up to date on the matter and is sympathetic.

4. Supervised Agricultural Credit: LR picked up where one of the recent discussions between himself and H.E. had ended in connection with the discussed project for supervised credit in connection with the Agricultural Bank. He indicated that the revised project in terms of both short-term rehabilitation loans and long-time purchase loans has for discussion purposes gone forward to the Agricultural Bank and is to be reviewed this week by the board of the bank. He indicated very frankly that what he was doing was plowing ground on the matter. H.E. said that he had promised to sponsor legislation to secure 3 million dinars for the purchase program and he hoped the board of the bank would thoroughly go over the details, etc. LR as appropriately and delicately as he could made the

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point that there was a tendency on the part of the bank officials to believe that once the money had been allocated the problem of supervised, or rather the problem of credit had been solved. Actually, of course, with 50% of foreclosures on the record for its current and past loans what is needed most of all is supervised credit so that the borrower can make most use of his money and his greatest chance for survival and so that the Agricultural Bank and the Ministry of Finance can operate on a businesslike basis.

5. Initiation of Credit at Hawija: LR skirted around this topic a little bit (see past conference notes). Funds for this joint venture of the Miri Sirf committee, FAO and TCA are tied up in applications which have not been okayed by the Minister. He seems to have some reluctance, and this is justified to a good degree, in using the so-called boards of the cooperative society set up by FAO. The Ministry of Agriculture has some qualms about this and has taken it up with TCA. The supervisor of TCA's land development division feels, and it is generally agreed in TCA, that the use of these groups is better than nothing and can perhaps be fairly effected provided that a definite training program, and even more than the training program a sort of an instructional program is laid down for them and definite procedures set up within which they must operate. There was brief and not too final discussion of this matter.

6. Joint Fund: LR indicated that at various times joint funds between Iraq and US have been discussed with certain Iraqi officials. He elaborated a bit on their usefulness. He mentioned the possible wider value of an overall joint development fund in which all of TCA's resources for a given fiscal year, the sources having to do with supplies, equipment, etc., would be put, and in which the Iraq Government would place its own related contributions. LR said that although TCA had no direct relationships with the Ministry of Finance until the recent request for financial experts, TCA felt that the Minister of Finance, as an important cog in the general fiscal and budgetary policy and planning setup of the Iraq Government, should be in with both feet on cooperative planning of technical assistance. He asked whether at a later date the Minister would not like to participate in (1) planning generally the whole of TCA's contribution for a given year to the economic development of Iraq, and (2) the possibility of setting up a joint fund which would reflect the contributions of each side separately held. The Minister said he would be much interested in discussing this further.

7. Issuance on TCA Activities in Iraq: Briefly discussed was the recent issuance by TCA/Iraq of the listing of what technicians it had in Iraq in March, in what fields and in connection with what ministries they are operating and where they were headquartered.



Files

Lewis H. Rohrbaugh

March 16, 1953

Conrad H. Hammar

Proposed Regional Agricultural Bank

1. This proposal of J. D.'s is brilliant, and I endorse it wholeheartedly, though not quite perhaps in the same form as J.D. has described.

I would take the two words, "Supervised" and "Credit" out of the name and merely call it the Middle Eastern Agricultural Bank. The deletions are advisable because "supervised credit" is not understood in the Middle East.

The bank should make no direct loans to farmers or cooperatives, but should lend only to institutions lending to farmers and agricultural cooperatives within the countries with which it is able to establish agreements. None of the countries would, I believe, agree to have any outside financial institution of this nature making direct loans within the country. Furthermore, any outside bank would find itself up against extraordinary difficulties in collecting loans and because of the competition it would provide for local lending institutions. The objective of the bank could, I believe, be achieved by agreeing to make loans to Central Agricultural Credit Institutions for particular purposes only. The agreements written could, in other words, provide for loans from the Regional Bank to be made for purposes of lending only to small farmers upon a Supervised Credit Basis and, on the same lines, to Agricultural Cooperatives. I believe that TCA/Washington would then supply, through the Country Missions or the Agricultural Banks, themselves, county or district agricultural credit supervisors to insure, as far as possible, the success of the program. Even if the cost of the credit were increased to the point at which at least part of the cost of these district credit supervisors were paid from the proceeds of the loans, the interest rate charged the borrowers could still be far below that which they normally pay.

It looks to me as though this suggestion of J.D.'s represents an excellent method of helping us create a middle class group of farmland owners and operators here in the Middle East.



# Office Memorandum • UNITED STATES GOVERNMENT

TO : LHR and CHH  
FROM : JDH  
SUBJECT: Farm Credit

DATE: January 12, 1953

FILE COPY

*W. J. H.*

I still feel that it is unwise to attempt this credit project in one of the Qadhas unless it includes an appropriate number of American credit supervisors to provide the agricultural services upon which the success of the project will depend. I don't think the Iraq Government can be expected to provide these people in the beginning.

We have included a Credit Supervisor in the MSLD Program for 1954, by which time Robinson will have had the necessary ground work laid, and intend that there be a supervised credit program on each of the projects on which we have advisory teams of five men. I fear that this program may make it difficult for me to get a top-notch Credit Supervisor for MSLD or to get an insurance fund of sufficient amount. We will have a dispersion of effort if we attempt to launch two credit projects.

And, another point--we still won't have a man in the Agricultural Bank, where there is a big job to be done.

If it is your decision to go ahead with this credit project along the lines proposed, I have nothing else to offer except to suggest that a couple of county agents, or the equivalent, be added to the project.

J. D. Hancock

570. 112 Ag. Credit



# 112

American Embassy, TCA,  
Baghdad, Iraq,  
January 10, 1953.

FILE COPY

Dear John:

I was most pleased to have your note of December 29, and I am writing immediately to tell you that your visit here did some good. It focused attention on what, in my estimation, is a neglected area of thought and made me take time enough out to think a little more clearly through what could be done most effectively. I gave up completely the idea of the discussion group for the time being, though just today, I tried to inaugurate with the new Director General of Agriculture a small discussion group, not on land tenure, but on new uses for dates. However, I had in the back of my mind another discussion group on land tenure if the group for "dates" proved successful. You will understand that land tenure here is not my field, but belongs rather to Hancock, and I get into it only through agricultural credit cooperatives, etc.

I provided, in my expanded budget for 1954, for an Agricultural Credit Project to be inaugurated in a demonstration Qada (County) as soon as we can get a man over here. I have discussed the matter, not only with Rohrbaugh, but also with Hancock, and I have had an initial conversation with Director Zainal of the Agricultural Bank and got his informal request to submit to him proposals for a project. Preferably, the project will be as follows: We will select one Qada in which to inaugurate the program and will bring over here for the purpose one Agricultural Credit specialist with experience as a County Supervisor for FHA. I presume that the men on your list are beyond our reach for such a relatively modest assignment, but I am sure that some FHA County Supervisor would be glad of an opportunity to come here to begin work of a similar type in this county. We are expecting to provide a guarantee fund to the Agricultural Bank so that it can begin the project without undue fear of loss. Otherwise, our participation will be limited to the provision of this one credit specialist. I have put a paragraph into the proposed project agreement calling for expanding the program, as experience in the first demonstration Qada justifies, and hope the whole project is approved.

We enjoyed

Mr. John A. Baker,  
Legislative Secretary,  
Farmers Educational & Cooperative Union,  
Room 700, Bond Building,  
1404 New York Avenue, N.W.,  
Washington 5, D.C.

500.112  
Agricultural Credit Project



We enjoyed your visit here, and I am sorry that I did not know of your coming nor have leisure to spend much time with you. I read with great interest the publication of Mr. Knight on Farming Around the World and thought it a fine example of the warm-hearted approach that the Farm Union has for the human problems in agriculture.

There may be ways in which you can help me, and I shall certainly refer to you later. I asked some help from one of the men in the Farm Bureau recently and did not even get a reply to my letter, so that it was with considerable pleasure that I got this communication from you inviting us to refer to you when the need arises.

HAPPY NEW YEAR!!!

Sincerely yours,

Conrad H. Hammar  
Chief, Agriculture Division



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file Agricultural credit  
H

Supervised Credit for Production and Inter Mediate  
Loans to Low Income Farmers

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I - Purpose

Adequate supervised credit for production and intermediate loans to low income farmers is of major importance in a program for rural improvement. It is basic to the establishment of going concern family operated farms on Miri Sirf lands and on privately owned lands acquired for subdivision into economy size family farms. Credit is needed for seeds, tools, farm implements, fertilizer, livestock, poultry, necessary costs of living, and other basic needs including farm home and other farm structures that arise in making man and land a going concern family farm. Unless these needs are met to the advantage of the small farmer, he is forced to use such sources of credit that have and will exploit both the farm family and the land with most destructive effects on programs for the settling of farmers on lands that are being developed and improved largely through public irrigation projects.

Very - Ag credit

Supervised credit ties together credit and education at the farm level. Credit is extended to each farmer on basis of carefully determined productive needs and it is accompanied throughout the period of the loan by advise and counsel in the planting of crops, tillage practices, use of insecticides, care of livestock etc., and in purchase of supplies and implements for the farm and in the marketing of farm products. Thus, supervised credit is a tool of democratic action for the development of the individual



and the stimulation of his initiative and desire for self help.

## II. Legal Basis of System

A supervised credit program could be set-up by:

- (1) Amending the Law that established the Agricultural Bank of Iraq.
- (2) Establishing an agency for extending this type of credit, with funds from the Agricultural Bank or from funds made available by the Development Ministry.
- (3) Establishing a completely new and independent Government agency.

Comment: Whatever the type of organization for extending supervised credit, it is absolutely necessary that such an organization have the spirit and will to function in a manner essential to the success of the program.

## III. Steps in Extension of Credit

1. Bring about an understanding of this type of credit by:
  - (a) Training administrative staff and regional credit supervisors.
  - (b) Training project credit supervisors that live and work with the farmers.
  - (c) Discussing need, place and type of supervised credit with a representative group of farmers in a project area. Understanding, confidence and trust are necessary before moving out to the community level.



- (d) In initial stage make use of pilot project approach.

Comment:

Such phases of training and demonstration as listed should be carried on concurrently. It is recognized that the task of training is difficult, but not insurmountable and that a certain amount of understanding and training is absolutely essential before extending loans, and that it is a continuing process.

2. Making a loan to a farmer

- (a) Necessary to have an informal understanding, between the supervisor and the borrower, of the purposes of the loan, accompanying conditions, repayment arrangements, etc.
- (b) Loans should be based on credit worthiness, size of farm, type of farming production practices, character and ability of borrower.
- (c) Amount of loan will depend on credit worthiness in relation to developed needs and proceeds of the loan will be released as needed. Loans should be disbursed from a joint controlled account of borrower and supervisor.
- (d) Interest rate to be 3 percent. The rate should not cover the costs of supervision. They are a part of an educational program and for this reason the cost should be borne as a general charge of government, as is true for extension work.
- (e) The term of the loan should relate directly to the use of the loan fund. For instance, a loan for seed, fertilizer



or food should be paid back out of proceeds from the current crop, while money used for purchase of livestock and farm implements should be repaid over a period of time related to their useful life.

The loan agreement should provide for equal installment repayments except that proper provision should be made for deferred payments that is duly authorized, in case of crop failures, unforeseen family misfortunes etc.

Furthermore, the borrower shall have the right to make payments in advance of schedule in any amount and at any time that he is financially able to do so.

### 3. Channels of Extending Loans

Loans may be extended directly to individual farmers following prescribed application procedures or through cooperative credit societies.

### 4. Liability of Borrowers.

#### (a) For individuals

1. Unlimited joint liability
2. Limited liability

Each of these types of liability would need to be explored in relation to the type of loan and established practices and customs. The mutual sharing of responsibility for loan obligations reduces costs of making and serving small loans and on the other hand may discourage or bar participation in a credit system.

#### (b) For Cooperative Credit Societies.

1. Limited and unlimited. The nature of the problem would



need to be approached in the light of existing law and the customs of the people.

2. When the liability is limited, it may be possible to develop a technique of marketing farm produce through a cooperative, and thus in fact provide for the degree of security sought by unlimited liability.

Comment: It should be the function of some cooperative Societies to market for the farmers their products. This would involve the establishment of storage facilities and the rendering of other services associated with the marketing of farm products. It is recognized that the existence of such cooperatives may be in the future. In a multipurpose cooperative of this type it is important that the records and accounts be kept separate for the different functions, i.e., credit, sale of farm supplies, marketing etc.

A Multipurpose cooperative has the advantage of reducing costs through consolidation of functions, securing an adequate volume of business and extending needed services to farmers. Thus, there are business and service advantages in combining the handling of farm supplies, the marketing of farm products and the granting of production credit in one local Cooperative Organization.

## 5. Capital Accumulation.

1. It is desirable to provide a means by which farmers over a period of time may own and control their Cooperative Credit System. Therefore, some device should be provided so that the farmers will accumulate capital or loan funds. To



accomplish this objective farmers should be encouraged to make voluntary ~~savings~~ savings which would be available as loan capital. It may also be desirable to require by law that borrowers purchase stock in the agricultural credit system. The amount of stocks purchased might well be related to the size of the loan and its length. A still more effective way of accumulating Capital, so that the farmers may ultimately own their credit system, might be to include in the interest charge to borrower a sufficient margin for a reserve after paying for the use of funds advanced by the Government.

6. Delinquent Loans.

- (a) Loans are delinquent when payment is not made in accordance with the loan agreement or as modified by legal deferment.
- (b) Foreclosure will follow legal procedure, it is being assumed that the interests of the ~~Credit~~ Credit System and those of the borrower are duly protected.



# Revised Statement

W.H.F. 10/26/53.

## Supervised Credit for Production and Intermediate Loans to Low Income Farmers

The thoughts and ideas expressed in this statement are for discussion purposes. Other considerations may readily be advanced. Such a framework of principles should be helpful in considering proposed changes in present agricultural credit facilities in view of the extent to which farmers are faced with credit problems that require government action.

### I - Problem Situation

Adequate supervised credit for production and intermediate loans to low income farmers is of major importance in a program for rural improvement. It is basic to the establishment of going concern family operated farms on Miri Sirf lands and on privately owned lands acquired for subdivision into economic size family farms. Credit is needed for seeds, tools, farm implements, fertilizer, livestock, poultry, necessary costs of living, and other basic needs including farm home and other farm structures that arise in making man and land a going concern. Unless these needs are met to the advantage of the small farmer, he is forced to use such sources of credit that have and will exploit both the farm family and the land with destructive effects on programs for the settling of farmers on lands that are being developed through public land improvement projects

Long-kg-kg Credit



Nature of Supervised Credit. Supervised credit ties together credit and education at the farm level. Credit is extended to each farmer on basis of carefully determined productive needs, and it is accompanied throughout the period of the loan by advice and counsel in the planting of crops, tillage practices, use of insecticides, care of livestock etc.; and it may well be accompanied by the sale of supplies and implements for the farm and in the marketing of farm products. Thus, supervised credit is a tool of democratic action for the development of the individual and the stimulation of his initiative and desire for self help.

## II - Legal Basis of a Supervised Credit System

(1) Amend the charter legislation of the Agricultural Bank of Iraq so that the Bank could directly carry on a program of supervised credit.

(2) Establish an independent agency for extending this type of credit, with funds from the Agricultural Bank or from funds made available by the Development Ministry. Credit to be extended either through channels of direct control or through agricultural credit societies.

Comments Whatever the type of organization established, it is absolutely essential that there be the spirit and will to function in a manner for the success of the program. It has often been found that an independent agency directed to a single purpose best meets this requirement.



### III - Steps in Extension of Credit to Small Farmers.

#### 1. A program of education is needed to:

- (a) Train administrative staff and regional credit supervisors.
- (b) Train project credit supervisors that live and work with farmers.
- (c) Discuss need, place and type of supervised credit with a representative group of farmers in a project area. Understanding, confidence and trust are necessary among farm and village leaders before presenting the program to all the farmers within a given area.
- (d) Develop an appreciation of credit responsibility among borrower applicants.
- (e) In initial stage made use of pilot project approach.

Comment: Such phases of training and demonstration as listed should be carried on concurrently. It is true that the task of training is difficult, but not insurmountable; and that a certain amount of understanding and training is absolutely essential before extending loans. It is also recognized that program planning is a continuing process.

#### 2. Making a loan to a farmer.

- (a) Necessary to have an informal understanding between the supervisors and the borrower of the purposes of the loan, performances by the borrower, accompanying conditions, repayment arrangements, etc. Under the present situation written plans are believed to be not feasible, but



supervisors should keep a written record of the essential feature of the farm plans.

- (b) Loans should be based on credit worthiness— size of farm, production practices, character and ability of borrower, collateral security.
- (c) Amount of loan will depend on credit worthiness in relation to developed needs and proceeds of the loan will be released as needed. Loans should be disbursed from a joint controlled account of borrower and supervisor.
- (d) Interest rate for loan costs to be 3 percent. The rate should not cover costs of supervision. They are part of an educational program and for this reason should be borne as a general charge of government, as is true for extension work.
- (e) The term of the loan <sup>should</sup> relate directly to the use of the loan fund. For instance, a loan for seed, fertilizer or food should be paid back out of proceeds from the current crop, while money used for purchase of livestock and farm implements should be repaid over a period of time related to their usefulness.

The loan agreement should provide for a regular schedule of repayment, except that proper provision should be made for deferred payments that are duly authorized, as for instance in case of crop failures, unforeseen family misfortunes etc.

Furthermore, the borrower should have the right to make payments in advance of schedule in any amount and



at any time that he is financially able to make such a payment.

### 3. Channels of Extending Loans.

Loans may be extended directly to individual farmers following prescribed procedures or through cooperative credit societies. Cooperative societies should be established in a manner in keeping with the principles set forth in this statement.

### 4. Liability of Borrowers.

#### (a) For individuals.

Limited liability — liability of one or several co-signers.

This type of liability would need to be explored in relation to the type of loan and established practices and customs. The sharing of responsibility for loan obligations reduces costs of making and serving small loans; and on the other hand may discourage or bar participation in a credit system. This is particularly true where the principle of unlimited liability is used by a credit society.

#### (b) For Cooperative Credit Societies.

1. Limited and unlimited liability. A program of unlimited liability would make all farmers within a designated area receiving credit severally and jointly liable for the total loans outstanding.
2. When the liability is limited, it may be possible to develop a technique of marketing farm produce through a cooperative, and thus in fact provide the degree of



security sought by unlimited liability.

Comment: It should be the function of some cooperative societies to market for the farmers their products. This would involve the establishment of storage facilities and the rendering of other services associated with the marketing of farm products. It is recognized that the existence of such cooperatives may be in the future. In a multipurpose cooperative of this type it is important that the records and accounts be kept separate for the different functions, i.e., credit, sale of farm supplies, marketing etc.

A multipurpose cooperative has the advantage of reducing costs through consolidation of functions, and to extend on possibly a more satisfactory basis needed services to farmers. Thus, there are business and service advantages in combining the handling of farm supplies, the marketing of farm products and the granting of production credit in one local cooperative organization.

#### 5. Capital Accumulation.

1. It is desirable to provide a means by which farmers over a period of time may own and control their cooperative credit system,. Therefore, provision should be made so that farmers will accumulate capital or loan funds. To accomplish this objective farmers should be encouraged to make voluntary savings which would be available as loan capital. It may also be desirable to require by law that borrowers purchase stock in the agricultural credit system. The amount of stocks purchased might well be related to the size of the loan and its length. A still more effective way of accumulating capital, so that the farmers may ultimately own their credit



system, might be to include in the interest charge to borrower a sufficient margin for a reserve after paying for the use of funds advanced by the Government.

#### IV - Delinquent Loans

- (1) Loans are delinquent when payment is not made in accordance with the loan agreement or as modified by approved deferment.
- (2) Foreclosure will follow legal procedure, it is being assumed that the interest of the credit system and those of the borrower will be duly protected.
- (3) Land acquired by the Government through foreclosure should be sold to qualified purchasers at a price that is fair and on terms in line with the productivity of the land; and that would afford to purchasers an opportunity to enjoy a reasonably satisfactory standard of living.



# Office Memorandum • UNITED STATES GOVERNMENT

TO : Robert C. Moncure, Agriculturist  
Foreign Agricultural Service

FROM : Ralph U. Battles, Assistant Chief  
Economic and Credit Analysis Division  
Farm Credit Administration

SUBJECT: Report on Dujaila Project in Iraq

DATE: October 8, 1953

FILE COPY

We have reviewed the report on the Dujaila Project in Iraq prepared by Mr. Frank H. Robinson with much interest. It seems to us that Mr. Robinson has done an excellent job in analyzing this project and has made sound recommendations for correcting many of its weaknesses.

His broad approach to the problem is in line with our thinking, namely, that an agricultural credit program cannot be successful in an underdeveloped area unless it is accompanied by a broader program of increasing farm production and the establishment of more efficient marketing facilities.

If there are any specific credit problems on which Mr. Robinson desires information or advice, we shall be glad to give him the benefit of our experience with similar problems in the United States.

*Ralph U. Battles*

Dr. Hammar:

The above comments by Mr. Battles are sent you in duplicate for the information of you and Mr. Robinson. We feel sure that you and Mr. Robinson will correspond direct with Mr. Battles whenever you desire to do so concerning the problems on the Dujaila Project in Iraq. It would be appreciated if you will send copies of any such correspondence to us.

*H. B. Bolster*  
H. B. Bolster by J.M.H.

*Copy of credit*



## Office Memorandum • UNITED STATES GOVERNMENT

TO : Henry Wiens

DATE: March 17, 1954

FROM : Conrad H. Hammar

SUBJECT: Attached Airgram re Supervised Agricultural Credit Project

*regulations (attached)*

The draft has been read by Smith.

I anticipate nonconcurrence from Robinson and Beck. See their comments attached. I cannot, however, agree with their objections and think that we should ask that special arrangements be made for providing credit for Miri Sirf settlers. That is a matter to be taken up apart from and in addition to this Supervised Credit Project, and I shall be glad to assist in every way I can.

Haidari agrees most emphatically with my "conservative" approach as will, I am certain, the Board of the Bank which is now having this draft translated. I am insisting to the Board that such a regulation be approved as a step to give status and security to the project. Perhaps you should call in Beck, Robinson, and myself to discuss.

*What are Robinson's responsibilities?  
I'd like to discuss with you  
first.  
HW Mar. 22*

Attachment:

As mentioned above.

FILE COPY

CHHammar:rmsb



# Office Memorandum • UNITED STATES GOVERNMENT

TO : Dr. Hammar

DATE: March 17, 1954

FROM : Hermann A. Beck

*H. A. Beck*

SUBJECT: Draft regulation relating to Iraq's Agricultural Bank Law for extending supervised farm credit in Iraq

The following are comments on the proposed changes of the Agricultural Bank's regulation:

1. I agree with the principle of a supervised credit program and the need for such a program in Iraq.

2. A search of the present basic law of the Agricultural Bank should be conducted to determine the need for additional regulations as they now exist under this law.

3. If new regulations are made, they should be comprehensive enough to cover as wide a range of low income farmers on family sized units, as far as is economically sound, (some of those phases are covered by the remarks of Mr. Robinson's and Mr. Johnson's reports attached hereto).

4. Interest rate on loans should not exceed 4 percent.

5. Age limits and farming experience must be liberalized to serve an appreciable number of farmers in Iraq.

6. Operating goods loans should be financed over a period of 5 years or better; consumer goods loans should be for one year or less.

FILE COPY

HAB:eh

*Prop. Ag. Credit*



Supervised Credit for Production and Intermediate

Loans to Low Income Farmers

The thoughts and ideas expressed in this statement are for discussion purposes. Other considerations may readily be advanced. Such a framework of principles should be helpful in considering proposed changes in present agricultural credit facilities in view of the extent to which farmers are faced with credit problems that require government action.

1- Problem Situation

Adequate supervised credit for production and intermediate loans to low income farmers is of major importance in a program for rural improvement. It is basic to the establishment of going concern family operated farms on Miri Sirf lands and on privately owned lands acquired for subdivision into economic size family farms. Credit is needed for seeds, tools, farm implements, fertilizer, livestock, poultry, necessary costs of living, and other basic needs including farm home and other farm structures that arise in making man and land a going concern. Unless these needs are met to the advantage of the small farmer, he is forced to use such sources of credit that have and will exploit both the farm family and the land with destructive effects on programs for the settling of farmers on lands that are being developed through public land improvement projects.

Nature of Supervised Credit.

FILE COPY

Supervised credit ties together credit and education at the farm level. Credit is extended to each farmer on basis of carefully determined productive needs, and it is accompanied throughout the period of the loan by advise and counsel in the planting of crops, tillage practices, use of insecticides, care of livestock etc.; and it may well be accompanied by the sale of supplies and implements for the farm and in the marketing of farm products. Thus, supervised credit is a tool of democratic action for the development of the individual and the stimulation of his initiative and desire for self help.

11- Legal Basis of a Supervised Credit System

(1) Amend the charter legislation of the Agricultural Bank of Iraq so that the Bank could directly carry on a program of supervised credit.

(2) Establish an independent agency for extending this type of credit, with funds from the Agricultural Bank or from funds made available by the Development Ministry. Credit to be extended either through channels of direct control or through agricultural credit societies.



Comment: 6

Whatever the type of organization established, it is absolutely essential that there be the spirit and will to function in a manner for the success of the program. It has often been found that an independent agency directed to a single purpose best meets this requirement.

III- A program of education is needed to:

- (a) Train administrative staff and regional credit supervisors.
- (b) Train project credit supervisors that live and work with farmers.
- (c) Discuss need, place and type of supervised credit with a representative group of farmers in a project area. Understanding, confidence and trust are necessary among farm and village leaders before presenting the program to all the farmers within a given area.
- (d) Develop an appreciation of credit responsibility among borrower applicants.
- (e) In initial stage made use of pilot project approach.

Comment:-

Such phases of training and demonstration as listed should be carried on concurrently. It is true that the task of training is difficult, but not insurmountable; and that a certain amount of understanding and training is absolutely essential before extending loans. It is also recognized that program planning is a continuing process.

2- Making a loan to a farmer.

- (a) Necessary to have an informal understanding between the supervisor and the borrower of the purposes of the loan, performances by the borrower, accompanying conditions, repayment arrangements, etc. Under the present situation written plans are believed to be not feasible, but supervisors should keep a written record of the essential feature of the farm plans.
- (b) Loans should be based on credit worthiness- size of farm, production practices, character and ability of borrower, collateral security.
- (c) Amount of loan will depend on credit worthiness in relation to developed needs and proceeds of the loan will be released as needed. Loans should be disbursed from a joint controlled account of borrower and supervisor.



- (d) Interest rate for loan costs to be 3 percent. The rate should not cover costs of supervision. They are part of an educational program and for this reason should be borne as a general charge of government, as is true for extension work.
- (e) The term of the loan should relate directly to the use of the loan fund. For instance, a loan for seed, fertilizer or food should be paid back out of proceeds from the current crop, while money used for purchase of livestock and farm implements should be repaid over a period of time related to their usefulness.

The loan agreement should provide for a regular schedule of repayment, except that proper provision should be made for deferred payments that are duly authorized, as for instance in case of crop failures, unforeseen family misfortunes etc.

Furthermore, the borrower should have the right to make payments in advance of schedule in any amount and at any time that he is financially able to make such a payment.

### 3- Channels of Extending Loans.

Loans may be extended directly to individual farmers following prescribed procedures or through cooperative credit societies. Cooperative societies should be established in a manner in keeping with the principles set forth in this statement.

### 4- Liability of Borrowers.

#### (a) For individuals.

Limited liability - liability of one or several co-signers.

This type of liability would need to be explored in relation to the type of loan and established practices and customs. The sharing of responsibility for loan obligations reduces costs of making and serving small loans; and on the other hand may discourage or bar participation in a credit system. This is particularly true where the principle of unlimited liability is used by a credit society.

#### (b) For Cooperative Credit Societies.

- 1- Limited and unlimited liability. A program of unlimited liability would make all farmers within a designated area receiving credit severally and jointly liable for the total loans outstanding.
- 2- When the liability is limited, it may be possible to develop a technique of marketing farm produce through a cooperative, and thus in fact provide the degree of security sought by unlimited liability.

#### Comment:-

It should be the function of some cooperative societies to market for the farmers their products. This would involve the establishment of storage facilities and the rendering of other services associated with the marketing of farm products. It is recognized that the existence of such cooperatives may be in the future. In a multipurpose



cooperative of this type it is important that the records and accounts be kept separate for the different functions, i.e., credit, sale of farm supplies, marketing etc.

A multipurpose cooperative has the advantage of reducing costs through consolidation of functions, and to extend on possibly a more satisfactory basis needed services to farmers. Thus, there are business and service advantages in combining the handling of farm supplies, the marketing of farm products and the granting of production credit in one local cooperative organization.

#### 5- Capital Accumulation.

- 1- It is desirable to provide a means by which farmers over a period of time may own and control their cooperative credit system. Therefor, provision should be made so that farmers will accumulate capital or loan funds. To accomplish this objective farmers should be encouraged to make voluntary savings which would be available as loan capital. It may also be desirable to require by law that borrowers purchase stock in the agricultural credit system. The amount of stocks purchased might well be related to the size of the loan and its length. A still more effective way of accumulating capital, so that the farmers may ultimately own their credit system, might be to include in the interest charge to borrowers a sufficient margin for a reserve after paying for the use of funds advanced by the Government.

#### 1v- Delinquent Loans

- (1) Loans are delinquent when payment is not made in accordance with the loan agreement or as modified by approved deferment.
- (2) Foreclosure will follow legal procedure, it is being assumed that the interest of the credit system and those of the borrower will be duly protected.
- (3) Land acquired by the Government through foreclosure should be sold to qualified purchasers at a price that is fair and on terms in line with the productivity of the land; and that would afford to purchasers an opportunity to enjoy a reasonably satisfactory standard of living.



### SUPERVISED CREDIT.

Supervised credit is conducted through the use of direct loans and not through a cooperative society.

The money advanced for the loan is held in a controlled bank account and is not placed in the hands of the borrower. This makes the supervised loans also controlled loans. Small amounts of money needed for the purchase of food is handed to the borrower.

Need for the loan is determined by an inspection of the farmers livestock, machinery and other properties to see if he is well enough equipped to carry on a satisfactory farm operation. A careful study of the farmers proposed plan for crop and livestock production is made with him on the farm.

The needs of the farmers family for food and especially that which can be supplied by cows, sheep, goats and poultry is developed. As nearly as is possible a "live-at-home" program of farming is planned for. If the farmer does not have a milk cow to supply milk and other dairy products for his family his willingness to buy such animals as are needed is determined.

Calculations are made to determine the ability of the farmer to live in an acceptable standard of living and then have sufficient additional funds to repay a loan. In order to accomplish these two things it will necessary that the farmer have possession of, either through ownership or tenant contract, what is considered a "family sized" farm. A "family sized" farm is one that will (1) keep the farmer and his available family labor busy or employed as nearly as possible throughout the entire year; (2) maintain or pay for the necessary things that make up a "satisfactory standard" of living; and (3) have a sufficient "Cash Balance" at the end of the year to repay money borrowed or that portion of the loan allocated for repayment annually.

A simple, brief "Farm Plan" is developed or prepared with the farmer's help to show what he agrees or pledges to do in the way of crop and livestock production. This includes an inventory of the farmers present possessions, his production program of crops and livestock and a budget showing the use of funds available throughout the year with special emphasis on the necessity for developing income to meet loan repayments.

The farmer-borrower is assisted throughout the year by an agriculturally trained man who visits his farm periodically and advises with the farmer and through the year teaches him new and approved farm practices. Farmers in the low-income bracket almost always need as much if not more technical help than financial help. The supervisor is thus the adult education teacher for the farmers whom he supervises. New and improved methods of land preparation and cultivation; the use of better small farm implements ~~can be implemented~~ can be introduced; better seed can be used; improved methods of harvesting and marketing can be taught. The supervisor who is in this way continually in contact with the farmers becomes familiar with each man's special problems. Being in close touch with the farmer and his farm work, the supervisor serves in a collection agent capacity when the repayment is due and the farmer is not in position to present a "hard luck" story about his misfortunes and his inability to make the payment.



In the Supervised Credit System, great emphasis is placed on planning, budgeting and following a balanced plan of production. Mortgages are taken on the farmers chattels; such as implements and livestock but more dependence in securing repayments is placed on the supervision element. All farmers applying for loans are investigated as to their present indebtedness, their honesty and their agreement to follow and approved plan of farming and use approved techniques.

The Supervised Credit System has been successfully used with low income farmers in the United States since 1935. The administrative cost has been accepted as a responsibility of Government to the low income farmers who rarely profit from Agricultural Extension Service which mostly serves the larger more influential farmers.

When farmers have paid off all indebtedness and have established a net worth in their own name and no longer are in need ~~for~~ the supervision they are recommended to the Cooperative Credit System which will supply both short and long term credit for approved purposes. The farmer is thus able to make determinations for himself as to his desires to belong to a cooperative system which for successful outcome requires more than average intelligence and understanding of the methods and purposes of cooperation. When a farmer graduates to such a condition he is no longer served by the Supervised Credit System and it is thus free to accept other needy farmers.



SUGGESTED CRITERIA FOR SUPERVISED AGRICULTURAL CREDIT LOANS TO  
MIRI SIRF PROJECT RESETTLEMENT FARMERS

F.H. Robinson, Agricultural Economist, USOM, Iraq

- (1) Loans are to be made only to farmers operating family sized farm units. For the purposes of Supervised Credit Loans the following definition of a family sized farm will apply:-
  - (a) The enterprises of the farm such as wheat production, vegetable production, sheep raising, etc., should as nearly as can be planned keep the farm family labor busy throughout the entire year,
  - (b) The farm must provide sufficient income to meet the costs of living of the family in an acceptable standard of living and meet cash farm operating expenses.
  - (c) The farm income must be sufficient to meet the above requirements and leave a sufficient cash balance to meet payments on indebtedness for operating good loans and other debt payments and leave a small reserve for emergencies.
- (2) In adherence to the universally accepted concept of land and tenure improvement, loans should be limited to farmers who operate their own farms without the employment of assistant families or tenants .
- (3) Security of the loan should be guaranteed by the following:-
  - (a) A mortgage on all chattels and growing crops or crops to be grown using the proceeds of the loan shall be required,
  - (b) A note signed by two fellahin who have sufficient net worth to be equal to the principal of the loan will be required.
  - (c) The integrity of the borrower-applicant will be investigated by the loan supervisor to determine his honesty and record of meeting debt payments.
  - (d) The farmer's ability to farm as shown by his past experience, preferably in the two years immediately preceding the application will be a factor of consideration in making a loan. His operations either as a rancher (herdsman) or cultivator will be considered.
  - (e) A farm and Home Plan, simple enough to be understood by the farmer and prepared with him by the supervisor will be a basic requirement for approval of a loan.
  - (f) The farmer-applicant's need for a loan and the amount needed will be considered in view of his apparent and calculated ability to repay the loan .
  - (g) A borrower should be physically able to carry out the farm plan.



## Note:

As "d" under 3, a further point of disagreement is the term or period of repayment should not be legally limited to 3 years but rather to the farmers ability to repay within a maximum period of 5 years.

This Miri Sirf Development Law qualifies as an applicant a man otherwise qualifying who is 18 years of age.

As to age, 2 farmers out of 30<sup>in a survey conductor on the Hawija Project</sup> interviewed were over 50 years of age; one 60 years and one 72 years.

The average net worth of Hawija farmers after one year's occupancy in a partial crop-failure year was about ID 17/000. The average value of a farmers possessions was ID 34/000 with an average indebtedness of about ID 17/000. These averages are exclusive of household goods which were too insignificant in value to give much consideration to. There is no furniture and only rugs and bedding with a few cooking utensils.



Baghdad, Iraq  
March 13, 1954

To: Hermann A. Beck, In charge Resettlement Group

From: Frank H. Robinson, Agricultural Economist *FH Robinson*

Subject: Supervised Credit for Miri Sirf Projects

Attached is an outline form setting forth my ideas for criteria in recommending a program of Supervised Credit in Iraq with special application to the Miri Sirf Resettlement Program. These criteria which I suggest come out of my own personal experience when I worked for the Farm Security Administration as Agricultural Advisor for the Southern Regions in the period 1936 to 1941, inclusive. Also the criteria which I suggest are the product of my experience in working for the Veterans Administration as Chief Agricultural Training Officer in Central Texas in the period 1944 to 1951. In this work I supervised through other Agricultural Training Officers the "On the Farm Training" of over 3000 disabled veterans. Practically all these veterans utilized Supervised Credit offered by the Farm Home Administration (formerly the Farm Security Administration) and I was very closely associated with the methods employed in this credit field of work.

As I have observed and studied the needs and performances of the fellahin in Iraq during the 15 months that I have been in this country most of the criteria used in the United States are of practical application here. Many of the FSA borrowers in the Southern States were illiterate negro farmers like those encountered in Iraq. The main problem here is to find competent supervisors of men who can be trained in this work. This difficulty can be met no doubt by a proper training effort.

I believe that it will be very unfortunate and perhaps demoralizing to the efforts of USOM Iraq not to coordinate the Supervised Credit work of all divisions. If new regulations are needed to authorize this work it is believed that they should be so drawn as to serve all parts of the Supervised Credit program. Otherwise confusion in the minds of the responsible Iraqi officials may result. Since Supervised Credit loans will be direct credit loans as are now being made by the Agricultural Bank, perhaps new regulations will not be needed. This is the basis on which I have begun to develop the loans for the Miri Sirf Projects after brief discussions with the recently retired Agricultural Bank President, the present President and Hasan Mohammed Ali, Chairman of the MSLD Committee.

It is of utmost importance that credit be made available to the settlers of all Miri Sirf Projects who are in need of such assistance. With the development of Miri Sirf Land as now planned there will be a continuing and enlarging field of need for Supervised Credit. The land distribution which is being conducted now by the MSLD Committee cannot succeed without adequate credit of a kind that is adapted to the type of farmer being settled. Already there are 2500 farmers on projects that have been settled who must receive credit assistance if they are to succeed.



- (4) Term of loan or repayment period will be established considering the type of goods to be purchased with the loan money and considering his ability to repay. Consumable goods as; fertilizer, seed and food as well as hired labor must be scheduled for repayment within the year in which they are used. The purchase of capital goods such as; mules, cows, and farm implements should be financed over a longer period of time but in any event repayment for a loan for this type of goods should be repaid within 5 years. (The experience of the Farm Home Administration in the United States should be considered in this connection. That organization after over 15 years successful experience with loans to low income farmers has within the last three years lengthened the term of the loan from 5 to 7 years.) Certainly, repayments should be scheduled as rapidly as the farmer can make them without defeating the purposes of the loan.
- (5) Amount of loan should be determined not by legal restrictions with the exception of a maximum loan for a family sized operation which is suggested at ID 300/000, otherwise the need of the applicant and his ability to repay will determine the amount of the loan.
- (6) The administrative cost of the Supervised Loans should be accepted by the Government as a service to the low income farmers similar to the services of Agricultural Extension which is limited largely to improvement of agricultural knowledge and techniques among the larger farmers.
- (7) The interest rate on the Supervised Loans should be established at 3%, the same as is being exacted from Credit Societies serving low income farmers. Credit at very lenient terms should be accepted as a part of the land and tenure reform program to which Iraq is committed to accomplish through the Miri Sirf Program and otherwise.
- (8) Loan funds will be released from a joint-controlled bank account seasonally as they are needed by the borrower. Money, except small amounts for the purchase of food will not be released to the borrower. The purchase of capital goods provided for in the approved loan application will be made by the joint agreement of the borrower and the supervisor. When it is to the advantage of the borrowers in an approved Supervised Loan District or area, the loan funds of all borrowers should be pooled in order to secure the advantages of wholesale purchases.
- (9) In order for the Supervised borrowers in a designated area to profit from the advantages of improved farm implements that are too expensive for individual ownership, such as: grain drills and threshing machines it is recommended that "Master Borrower" loans for such equipment be provided for. These loans could be supported in security by signed agreements on the part of farmers who agree to pay a fair charge to the Master Borrower for the use of the special equipment.



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FROM - BAGHDAD

SUBJECT - Supervised Farm Credit Project

REFERENCE -  
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each address)

DISTRIBUTION

ACTION | INFO.

ADDRESS AND SERIAL NUMBER

WASHINGTON TOUSFO A-9

PAGE	1	OF	11
DATE SENT	July 7, 1954		
DATE REC'D.			

**FILE COPY**

Attached are —

- (1) A draft "Instruction for Agricultural Advances under Supervision" recently approved by the Board of the Agricultural Bank in preparation for inaugurating the Supervised Farm Credit Project with the cooperation of USOM/Iraq.
- (2) A draft of a proposed Agricultural Bank Regulation prepared by the USOM/Iraq Chief Agriculturist and submitted to the General Manager of the Agricultural Bank some months ago. This proposed regulation was considered by the Board in drawing up its proposed "Instructions."

Putting the "Instructions" into force awaits the arrival of the Supervised Farm Credit Specialist and a cabled ETA in Iraq for this specialist is requested. It is urgent that he arrive soonest so that he may be here before the Chief Agriculturist departs for home leave on August 5 and before the Head of the Loan Department of the Iraq Agricultural Bank leaves for the U.S. on a training grant. He is scheduled to leave Iraq in early August.

A brief review of the "Instructions" here indicates that they are satisfactory for a beginning though the restriction of loans to land owners only will have to be removed in time. There are, however, several Qadas where large numbers of land owning small cultivators exist. These need access to credit and probably are the safest people to begin with considering the paramount objective of giving "Supervised Credit" a sound reputation from the start.

AUTHORIZING OFFICER

DRAFTED BY

C.H.A.  
CHHammar:na

OFFICE

PHONE NO. DATE

7-1-1954

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Comments of the Farmer's Home Administration, Farm Credit Administration and, particularly, of the prospective Supervised Farm Credit Specialist would be most welcome.

  
Henry Wiens  
Director

### Attachments:

As noted above.



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Attachment No.1

### Translation

INSTRUCTIONS NO. OF 1954.

### INSTRUCTIONS FOR AGRICULTURAL ADVANCES UNDER SUPERVISION

BY:

Makram S. Hammoush  
LL. B. & Bar-at-Law,  
London.

## FILE COPY

Pursuant to the agreement concluded between the Iraq Government and the Technical Cooperation Administration of the United States of America in Baghdad for carrying out the method of Agricultural Advances under Supervision in Iraq, the Board of Directors of the Agricultural Bank have decided to issue the following instructions:-

### Article 1. Definitions:

1. District means the region or regions selected by agreement between the Bank and the Technical Administration Cooperation. It shall be announced in order to carry out the method of Agricultural Advances under supervision for the benefit of small cultivators who desire to apply for such advances.
2. Small Cultivator means a cultivator owning agricultural land not exceeding 400 masharas ( a mashara equals 2500 sq.m.) whether irrigated by flow or by mechanical pump or garden areas not exceeding 20 masharas. Excess over these two limits shall be permitted if it does not exceed 10 donums in the cultivated land or two donums in the garden areas.
3. Committee for making advances under supervision:-
  - a. The Committee shall consist of the Bank Representative (the expert approved to make advances under supervision at the present time) and three members, one being the elder of the village, such as the sirkal, or mayor or some person held in high esteem and respect by the villagers to whom they refer for the regulation of their social relations according to local practice; the second the Muktar (Mayor) of the village and the third a prominent villager with a comprehensive knowledge of the condition of the cultivators. If the first member, the elderman of the village, is also the mayor he shall be replaced by a villager of good reputation and holding the same social position as the third member. The member must normally be permanently resident in the

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village. The term for membership shall be for one year, which may be renewed once only for an additional year.

- b. Nomination of persons having the above mentioned qualifications shall be made by the administrative authorities, such as the Mutassarif or the Qaim-makam, within his area of jurisdiction according to the administrative divisions of the country.

If, for any reason, a vacancy occurs in the Committee it shall be filled by a person of as good reputation as that of his predecessor on whose account the vacancy arises. The new member shall complete his predecessor's term as from the latter's date of appointment.

- c. In accordance with these Instructions no member of the Committee shall be entitled to receive an advance under supervision.

### Article 2.

The section concerned with making advances under supervision, at the Head Office, or Branches of the Bank in the liwas where it shall be decided to carry out the method of granting loans under supervision, shall explain the method orally but fully to the applicants who come within its area of jurisdiction. The Section shall explain to them that whether they will be granted an advance at all depends upon their accepting the Bank's Instruction and undertaking to comply with the agricultural program which the Bank's Representative draws up for them for the exploitation of their fields in a manner conducive to the improvement and development of agricultural methods, and conducive to the increase of production and to the raising of their economic and social standards through the Bank's supervision over their methods of using the advances granted to them and through managing their fields, and gathering their crops and yields and selling the same in order to ensure payment of debts due to the Bank or other debts out of the proceeds of their yields in such a way as to ensure a better regulation of their affairs in the future. It must be emphasised to them that advances granted to them by the Bank are made either in a single payment or in no payments according to their agricultural requirements, at a single season or at various seasons in compliance with the Committee's recommendation and with the suggestions of the expert authorized to make advances under supervision. If they decide to apply for advances in this manner after the same having been explained to them in detail, their acceptance must be entered in writing on the application form.

### Article 3.

The security and the amount of the Advance:-

1. Securities for advances granted by this method shall be either movable

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or immovable property, according to the details of Article No.10 of the Agricultural Bank Regulation No.40 of 1947.

2. A sum not exceeding 500 dinars may be advanced to a small cultivator for a term not exceeding five years. The advance shall be paid either in one instalment or in successive instalments as explained in para (6) of Article 4 of these Instructions.
3. Percentages in respect of security provided under Article 13, (a) and (b) of the Agricultural Bank Regulation No.40 of 1947 shall be observed in fixing the amounts to be advanced to cultivators.

### Article 4.

Procedure for the transactions and the duties of the Committee:

1. The Section for Advances under supervision at the Head Office shall be competent to deal with transactions for making advances, which shall be carried out in the above manner, and the same procedure shall be followed as is in use at the present time for drawing up the form of an application for an advance, and the declarations contained in the application itself, with the exception of the declaration forms made by the administrative authorities, since the Committee shall represent the administrative authority in inspecting the position, reputation and the requirements of the applicant and whether he has agricultural objects, and whether he is carrying out his agricultural affairs directly or through "fellaheen" (peasants), and the extent of the fellaheen's relation with him as far as the rights and the private duties of each party are concerned, under the contract concluded between them or according to local practice.

These declarations shall be written on a special form which shall be drawn up for this purpose and sent together with the other papers.

The Branches of the Bank, in the other liwas where it will be decided to adopt this method of making advances under supervision, shall regulate the documents of the transactions according to the above-mentioned rules.

2. The Documents of the transaction, after being drawn up, shall be referred to the person appointed by the Bank as representative, who shall hold a meeting of the Committee and the local Tapu Officer on the date fixed by him for the purpose of making investigations concerning the applicant for the advance according to the details mentioned in the above paragraph. If the investigation reveals that the applicant really needs the advance requested, the Committee shall inspect the ~~security~~

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and assess the value thereof jointly with the representative of the Bank and the Tapu Officer. The result of the inspection and assessment shall be written on the special form together with the amount which the Committee believes should be advanced to the applicant for his present and future agricultural objects.

The formalities of the transaction shall be abbreviated in order to facilitate the procedure before the applicant. The Tapu Officer, immediately after completing the inspection and the assessment of the property, shall write down his answer to the questions stated in the form concerning the condition of the property, and whether it is subject to some attachment which prevents the Bank from accepting it as security.

3. The applicant shall pay in advance a fee of two dinars to be shared equally among the members of the Committee and the Tapu Officer, with the exception of the representative of the Bank (whether he is the supervisor of advances or an expert delegated to make advances under supervision). However, the applicant shall not recover this fee whether the Committee recommends the advance requested in whole or in part, or whether it refuses to make any recommendation whatsoever. Moreover, the applicant shall be responsible for providing means of transport for the members to and from the place where his property is situated as in the case of all other transactions.
4. If the procedure of the transaction is carried in the manner shown above, the documents of the transaction shall be sent to the Head Office to be examined and checked by the Section for making advances under supervision, and shall be submitted to the general manager together with a complete outline of the transaction containing the nature of the security, the kind of its soil, the manner by which it is irrigated, its cultivability according to the seasons, the value of its assessment and the agricultural objects which were ascertained by the Committee, the amount recommended by the Committee to be granted as an advance according to the importance of these objects, and the manner of the applicant's dealings with the Bank if he had been granted a previous advance, and the recommendation of the Section concerning the present transaction as a whole.
5. No advance shall be paid to the applicant thereof, unless after the regulations of the advance voucher and the proper notices and the entry of the note of attachment against the security at the Department of Tapu, if the property is immovable, or after sanctioning the advance voucher at a notary public, if the securities are movable.
6. The advance which is decided to be granted shall be paid to the applicant as a whole if it equals the amount recommended by the Committee or is less. However, if the advance exceeds the amount, it shall be paid according to the following manners:-

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- a. Only the amount recommended to be advanced by the Committee shall be paid out, and the remainder shall be entered for the borrower in a special account for liabilities and obligations called "liabilities for borrowers under supervision" for a term of 6 months. Interest shall be charged on the paid and recommended sum for the six months.
- b. The borrower may withdraw the amount entered for him in the account for "Liabilities for borrowers under supervision" either in a single payment or in successive payments during the said 6 months, provided he makes an application for that purpose explaining his requirements in detail and the expert delegated for making advances under supervision sanctions these requirements after making, for this purpose, a local inspection and investigation. Interest shall be recovered on every amount paid to him out of the above account in this way for the remaining 6 months and that as from the date of payment.
- c. The amount of the advance shall be limited by the total of all the amounts paid to the borrower from the amount of the advances granted to him for the 6 months period in accordance with the paragraphs (a) and (b) supra. He shall be asked to repay the interest on the amount of the advance for a further period of 6 months in order to complete the benefit of the advance for the first year. The borrower shall forefit his right to withdraw what remains to his credit in the above mentioned account, after the expiry of the said term. What remains to him then shall be registered in his favour as credit on the account of the advance.

### Article 5.

#### Improvement of Agriculture and the development of its methods.

The principal objects of the method for making advances under supervision are to ensure diversification in agricultural fields and the development of its methods by using modern means such as agricultural machinery, chemical manure, and raising the economic and social standards of the applicants. In order to achieve these objects the Bank may supervise the manner in which the borrowers use the advances granted to them, the management of their farms and the gathering of their crops and the sale thereof guaranteeing the repayment of the debt of the Bank, and other debts out of the proceeds of these crops and yields in such a way as to ensure regulating their affairs in the future. At the same time, the Bank shall not hesitate to guide the cultivators to buy improved kinds of seed and chemical manures and new agricultural machinery in order to use the same in their fields, and shall instruct the cultivators as far as possible, how to use them. In such cases, the prices of the items which the borrower desires to buy shall be paid out from the amount of the advances.

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### Article 6.

The rules of the Agricultural Bank and the Regulations issued thereunder shall be observed in all questions left undiscussed in these Regulations or left without detailed explanation.

### Attachment No.2

#### AGRICULTURAL BANK REGULATION

No. of 1954

In accordance with Article 23 (as amended) of the Constitutional Law and Article 7 of the Law for the Creation of an Agricultural Bank No.18 of 1940, and by virtue of the powers vested in us and pursuant to the proposal of the Ministry of Finance and with the approval of the Council of Ministers, we, hereby, order the promulgation of the following regulation on behalf of His Royal Highness.

### Article 1.

The Board shall establish a Branch of the Bank for the making of supervised loans for the improvement of cultivation by small farmers. The loans made by such Board shall be called, Supervised Cultivator's loans and shall be made for the purpose of increasing food production and for improving the efficiency and incomes of the borrowers. The making of Supervised Cultivator's loans may be inaugurated as of the date of the publication of this regulation in the Official Gazette.

### Article 2.

The following rules shall be followed by the bank in determining who may receive supervised cultivator's loans.

- a. Applicants must be of Iraqi nationality and members of households having had at least five years' experience in the cultivation of land.

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- b. Applicants must have reached their 21st birthday and must not have passed their 55th birthday at the time the loan agreement is consumated.
- c. Each applicant must be a member of a household having good standing in a recognized village or community and must give formal assurance of his intention to continue in his occupation as a cultivator of the land.
- d. Applicants who are accepted members of Miri Sirf settlement projects under Law 43 of 1951 for the Development and cultivation of Miri Sirf Land, shall be eligible for Supervised cultivators loans provided they meet requirements as set forth in subparagraphs a, b, and c of this article.

### Article 3.

Supervised cultivators loans may be made by the Bank only in areas where field offices have been established and an adequate staff provided for the supervision of such loans. The area Supervisor shall, furthermore, only make loans to eligible Fellaheen households who —

- a. Accept and agree to follow a plan or program of cultivation based upon improved practices and leading toward higher and more efficient production.
- b. Accept and agree to follow a loan repayment plan having the approval of the Loan Committee hereinafter provided.
- c. Accept and agree to follow a home plan directed toward the provision of a higher standard of comfort and much improved diets for the household.

### Article 4.

The Bank shall limit supervised cultivators' loans to a maximum of ID.100 for a first loan; provided, however, that a borrower who shall have satisfactorily and successfully repaid a first loan shall be eligible for a second loan of the same type and such loan may, with the approval of the Supervisor, be for a maximum of ID.200. Provided also that a third loan with a maximum of ID.300 may be made to borrowers who have satisfactorily and successfully repaid a first loan shall be eligible for a second loan of the same type and such loan may, with the approval of the Supervisor, be for a maximum of ID.200. Provided also that a third loan with a maximum of ID.300 may be made to borrowers who have satisfactorily and successfully repaid a second loan and that borrowers who have satisfactorily and successfully repaid fourth and fifth loans may, with the approval of the Supervisor, be

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made loans for a maximum of ID.400 and ID.500, respectively. Loans for more than a maximum of ID.500 shall not be made.

### Article 5.

Before supervised cultivators' loans may be made in any area, the Board shall:-

- a. Officially designate such area as territory eligible for the making of such loans, and
- b. Require the establishment of one or more loan committee for such areas.

Provided, further that the appropriate Mudir Nahiya shall be exofficio member of all such loan committees and shall assist the Board in the selection of other members. Loan Committees shall consist of the Mudir Nahiya and not more than three additional members chosen from village or communities within the area to be served. Members of these committees, other than the Mudir Nahiya, shall be appointed for periods of one to three years at the discretion of the Board. The functions and responsibilities of the Loan Committees shall be to review each loan application to determine (a) the eligibility for a loan of the applying applicant and household, and (b) the size of loan that may be made to each applicant. Provided also that no supervised cultivators' loan may be made unless it has the prior approval of the appropriate loan committee.

### Article 6.

Supervised cultivator loans shall be for three years from the date of the beginning of the contract and shall be renewable for a further three years at the discretion of the Board and with the approval of the Loan Committee and area supervisor. Provided, further that additional renewals for appropriate periods may be granted by the Board upon the recommendation of the Loan Committee and Supervisor.

### Article 7.

The rate of interest charged on cultivators' loans shall be 6 per cent provided, however, that the Bank may require an appropriate application fee and make a small charge, not to exceed 1.5 per cent of the loan, for appraisal in cases for which loans are approved.

### Article 8.

The chief basis for making supervised cultivators' loans shall be the character, integrity and work capacity of the prospective borrower but no household shall be eligible for a loan unless an appraisal of the supervisor

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establishes that it owns and controls property either in land, or in farm implements, tools, work stock, livestock, and household furniture and equipment valued at not less than ID.20. Provided, further, that the Board shall require the pledging under an appropriate mortgage, of all property of the borrowing household as security for its loan.

### Article 9.

Steps to be taken by the Bank in case of default of either interest or principal payments on a supervised cultivators' loan shall be as prescribed for other loans by the bank and as set forth in Articles 26, 27, and 28 of the Agricultural Bank Regulations No. 40 of 1947.

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September 10, 1954.

TO : Mr. Abdul Wahab Al-Dabbagh, General Manager  
Agricultural Bank.

FROM : Sam Dameron

SUBJECT : General Observations and Recommendations in Regard to the  
Proposed Supervised Agricultural Credit Program for Iraq.

*Agic - Credit*

## FILE COPY

The purpose of this memorandum is to formulate, in a general way, what Supervised Agricultural Credit is, its purpose, benefits to be derived, and a method under which it can be administered. It is thought that this approach would serve as a beginning to make available, to officials in the various institutions involved in the administration of the program, the overall policies of the program. It is to be understood that the details under which the program will function and administered will be developed as required while the work is progressing.

The subject matter presented is based on the experience gained by technicians working with and observing similar programs in other countries and from information obtained from people having many years of experience and success in agricultural credit work.

After you have studied the contents of this memorandum you perhaps will present it to others for study and suggestions for alteration and/or revision to avoid any conflict with existing policies and regulations governing the operation of the Agricultural Bank.

### I. What is Supervised Agricultural Credit?

It is a new kind of credit for family-type farm operators who do not have assets sufficient to obtain loans from commercial banks and other conventional type lenders, but who, if they had good credit resources, could do a good job of farming. It is based on sound farm and home plans and technical guidance in putting these plans into operation. A program of Supervised Agricultural Credit will involve extension of loans to low income farmers who have possibilities for improving their farms and farm practices under the intelligent guidance of supervisors to be employed and trained by the Agricultural Bank. Supervised credit involves an educational program among carefully selected farmers on improved farm practices but by having the power of credit associated with such a program the farmers will obtain the resources necessary for farm development and improvement. It should be emphasized that a program of supervised credit among low income farmers cannot be expected to be entirely self-supporting. It must be subsidized by the Government but in the long run such subsidy should be more than justified by the improvement in the welfares of a large group of farmers, by an increase in their financial resource, and increased national



income. It is impossible to estimate the amount of subsidy required but the Government should be prepared to pay the salary and travel expenses of the employees working directly with the program. It is possible and most likely that the interest obtained on the loans made under the program will cover the cost of obtaining the loan funds and losses sustained on individual loans, if the credit is granted on a proper basis and the loans supervised in an intelligent and business like manner by men who understand practical farm operations and money lending policies and principals.

## **II. Administration of the Program:**

- A. By the Board of Directors of the Agricultural Bank as established by existing laws, subject to subsequent amendments, to perform but not limited to the duties and functions as follows:-
- (1) To prepare the Annual Budget required for the operation of the program and present same for approval to the appropriate officials of the Government for approval.
  - (2) To adopt all measures and reach determinations necessary to insure the smooth operation of the program.
  - (3) To establish and put into practices deemed necessary and convenient for the operation of the program in compliance with existing and subsequent amendments thereto governing the operation of the Bank.
  - (4) To select, appoint and dismiss the personnel working with the Supervised Credit Program.
  - (5) To approve, refuse or renew loans requested, which may be accompanied by the report of the Area Supervisor.
  - (6) To adopt the necessary forms and procedures required for the operation of the program.
  - (7) To designate such area or areas within which Supervised Agricultural Credit loans are to be made.
  - (8) To appoint the members of an advisory committee within the designated loan area or areas to work with the Area Supervisor as required.
  - (9) To establish or recommend for approval the establishment of a special division in the Agricultural Bank which shall have charge of and be responsible for all operations of the Supervised Credit Program.
- B. By the Supervised Credit Division (or some other appropriate name to be designated later) to have charge and be responsible for the operations of the program including but not limited to duties and functions as follows:-



(1) The official in charge of this Division, with the required personnel will be responsible for advising and assisting the Board of Directors of the Bank in formulating and developing policies for:-

- (a) an educational program to teach farmers, their wives and children the principles of good farm and home management.
- (b) Preparing, processing and approving or disapproving loans to farm families,
- (c) assisting farm families to coordinate their production with the marketing facilities available and to develop improved marketing facilities and practices,
- (d) supervising farm families in carrying out the aims of their farm and home plans,
- (e) assisting farm families to obtain, at reasonable prices, the implements, machinery, seeds, fertilizers, insecticides and other goods for agricultural use which they need for their farms and homes,
- (f) to develop and recommend for approval the appropriate farm and procedures necessary for carrying out the programs of this Division,
- (g) to develop and maintain a program of schools and training and give technical guidance to Supervisors to enable them to learn the things necessary to carry on a successful program of education, credit and supervision,
- (h) advise and assist the Board of Directors or General Manager of the Bank in management of building, administrative equipment and supplies, communications and records management, reproduction and procurement services, control, maintenance, warehousing and accountability of property, transportation services and travel of employees,
- (i) maintain loan accounts, personnel records, payment of salaries and expense accounts, and
- (j) such other duties as required for the efficient and successful operation of the program.

### III. Purpose and Objectives of Supervised Agricultural Credit:

It is a recognized fact that generally speaking the small farmers of Iraq have existed in a state of economic and social insecurity that conspires against the general prosperity which the Government aspires to the nation. In other



countries of the world where the same problem is to be found, affecting a large mass of small farmers, which forms the majority of the rural population, governments are applying to the solution of this problem programs of a special type of farm credit, which is showing excellent results and is gradually but surely changing the economic outlook of these countries, bringing a much better standard of living to the people in need. This type of credit and educational programs attack the problem as a whole to provide adequate solutions which not only enable the small farmers to procure the necessary material elements for agricultural production but also adequate training for their wives and children, and have as an objective the introduction of farm practices that will enable farm families to reconstruct their homes on a sound and prosperous basis, which is the foundation for progress of a nation. In this country, in order to free the small farmers from the state of insecurity in which they live, it is considered advisable to establish a supervised credit program especially adopted to the existing situation, to enable small farmers to increase production of the basic crops, improve their financial situation and family living standards, where such expansion has been impossible up to the present time, due to lack of sufficient land, seeds, agricultural implements, livestock and other essential needs of the home and the farm, and also through the lack of basic knowledge and ability required for the proper application of improved production methods.

The objectives of this program, through the extension of credit and supervision, is to enable low income farmers to become established successfully in a sound, well balanced system of farming in order to make full use of their land and labor resources. Loans to be made under this program should be made for the purpose of assisting eligible applicants:

- (a) whose primary needs are credit and guidance in making adjustments and improvements necessary for successful farm and home operations on carefully selected farms,
- (b) who have or can acquire, with the assistance of the Agricultural Bank, the necessary land and labor resources for making such adjustments and improvements,
- (c) who have or through proper guidance can develop the abilities needed to carry out successful farm and home operations, and
- (d) who have reasonable prospects of repaying their loans within the scheduled period and of operating within a reasonable period without further assistance from the Agricultural Bank.

#### IV. Who is eligible for S. C. Ls.

As a safeguard to the success of this program extreme care should be given to the selection or acceptance of applicants. Suggested criteria for the selection of applicants follows:-

- (1) He must be of Iraqi nationality.



- (2) He must have had farm experience or training sufficient to indicate reasonable assurance he has the ability to operate a satisfactory farm successfully. It is preferable that an applicant will have had at least five years' experience in operating a farm.
- (3) Applicants must have reached their 21st birthday and must not have passed their 55th birthday at the time the loan is consummated.
- (4) Applicants must be a member of a household having good standing in a recognized village or community and must give formal assurance of his intention to continue in his occupation as a cultivator of the land.
- (5) Applicant must be unable to obtain sufficient credit to finance his actual needs at rates and terms prevailing in or near his community for loans of similar size and character.
- (6) Applicant must own, or will have available under satisfactory tenure arrangements, a farm suitable for carrying on successful farm and home operations.
- (7) Applicant must give satisfactory assurance that he will endeavor honestly to carry out the undertakings and obligations required of him upon receiving a loan.

(Note: There perhaps are other conditions to be added to meet special requirements of the Government and the Bank.)

V. Conditions under which S.C.L. loans should be granted. (F & H operating loans only).

As a general rule the extension of credit under this program, shall meet the conditions as follows:-

- (a) Farm and Home plans — Loans should be made exclusively on the basis of sound farm and home plans prepared by the family on the farm with the assistance of the Supervisor. The plan should include estimates of annual receipts and operating expenses and be the basis for fixing the repayment schedule of the loan.
- (b) Term of Loans — The time within which loans are to be repaid should be determined on the basis of the borrower's ability to repay as evidenced by the Farm and Home plan; however, as a rule, funds borrowed for current operating expenses should be repaid within one year and funds borrowed for the purchase of equipment or livestock should be repaid within the use period of such equipment or livestock but in no case to exceed 2 years.



- (c) Maximum Amount of Loan — The amount of the loan should be determined by the needs of the family for successful farm and home operations, as reflected in the Farm and Home plan, but in no case shall a loan exceed ID within any one calendar year.
- (d) Rate of Interest — The rate of interest to be charged for loans shall be per cent per annum.
- (e) Loan Security — The chief basis for making loans shall be the character, integrity and ability of the prospective borrower; however, every possible effort will be made to obtain ample security for loans advanced, such security being mortgages on real estate, appropriate pledges on livestock, farm implements, household goods, personal effects, personal guaranty, growing crops, stored crops, crops to be grown etc. The value of the security offered shall be determined by an appraisal made by the Supervisor, such appraisal to contain a complete description and estimated value of each item separately.
- (f) Control of Loans — Loans made under this program may be disbursed in the form of materials such as farm implements, livestock seeds, etc., or in cash. Where cash is involved it shall be advanced periodically to the borrower in accordance with his operating needs based on a previously developed schedule at the times the Farm and Home Plan was prepared.
- (g) Collections — Repayments on the loans will be collected by the Supervisor as income is derived by the borrower from the sale of crops, livestock, livestock products etc.
- (h) Defaults — At any time a borrower is in default on his loan or agreements entered into when obtaining such loan the Agricultural Bank at its discretion has the right, without exception, declare the entire loan, with accrued interest due and payable at once and shall proceed at once, if deemed appropriate, by establish procedure to recover the outstanding indebtedness, the cost for such collection to be borne by the borrower.

#### VI. What is meant by Farm and Home Plans and Supervision.

The success or failure of a farm family, the Supervisor and a Supervised Farm Credit program depends largely on this most important subject. Unless a farm family has and understands well a well developed plan of operating his farm and home including proper livestock and farm production practices, money management and home improvement he is apt to fail. Likewise until a Supervisor understands the needs of a borrower and his family and assists with developing a plan for the family and gives continuous sympathetic guidance he also is apt to be ineffective and unsuccessful in his work and as an employee of the Agricultural Bank. Because of the importance to these phases of the program there is outlined below a suggested guide to be followed:-



**I. Method of Developing Farm and Home Plans:**

1. Family discussion comes first. Get the farmer and his wife, and the older boys and girls together - ON THE FARM - and discuss freely and frankly with them the problems of both the farm and home, what the family would like to do, and the kind of help they will need.
2. Family planning comes next. The farm family and the Supervisors will jointly develop and complete the detail Farm and Home plan, so that:
  - a) The farmer will understand the family living expenditures and plans for the home and may for the first time understand what the farm can contribute to family living.
  - b) The home maker will understand the amount of cash income expected, the loan necessary, the repayment schedule, status of debts, and other adjustments to be made.
  - c) Review of the entire plan is necessary so that the whole family will understand the total problems and plans and the relation of one to the other.

**II. Actual Development of the Farm and Home Plan:**

**A. The Farm and Home plan must be realistic**

1. Because it will point out all adjustments the family will need to make.
2. Because it is a plan to improve the family's farm and home operation
3. Because this is the plan the family must agree to follow, and it must be a plan they can follow.

**B. If the Plan is to be Realistic:**

It must be based on realistic estimates of:

1. Yields to be obtained
2. Prices to be obtained for products to be sold.
3. Farm and home expenditures.
4. Obsolescence and depreciation of equipment.

**C. Essentials in Planning:**

A satisfactory level of living and reasonable security is the goal of every family. To attain this goal, the maximum use of all farm and family resources must be used as a basis of planning. In addition to considering the health, education, attitude and ability of the family the following resources must be planned in proper relation to each other. Remember that a chain is no stronger than its weakest link.



1. Land and improvements adequate to provide for family living and farm operating expenses, and payment of debts.
2. Labor: the farmer should plan his operations so that his labor and the labor of his family will be fully utilized all during the year. However, he should attempt only such operations as can be carried out with this labor, except in peak seasons; when he should trade labor with his neighbors, if possible, and keep expenditures for labor at a minimum.
3. Operating capital enough money or credit to make the best use of his land and labor resources.
4. Management to make the most efficient use of land, labor and capital.

D. What the Plan provides for:

With these basic resources in mind, the supervisor will help the family make plans for:-

1. Maximum food production:

- a) For the family's own use -- a year round supply of home-grown vegetables, fruit, meat, poultry, eggs and milk to meet at least minimum adequate nutritional needs. To provide for a year-round food supply, the supervisor should discuss with the family and help them plan for enough good quality subsistence livestock -- cows, hogs, chickens; garden equipment, fences, garden seed in sufficient quantity and variety, fruit trees and trees for fuel; fertilizers; food storage facilities etc.
- b) For market; a surplus of the same kind of food the family produces for home use. Wherever possible, plans should be made for extra cows; extra sows; some extra chickens, and in addition the maximum amount of food and other crops that can be economically grown depending on the capacity of the farm and ability of the family.

2. Development of a Livestock Program.

This program should fit the family and the farm, and should provide a source of income throughout the year to meet family and farm expenses and to supplement cash crops and other income. It should include:-

- a) Housing to protect livestock from the bad weather and essential fencing.
- b) Satisfactory water supply.



- c) Improved Sire Service
- d) Improved feeding practices, including provision for better pasture.

**3. Development of a crop program:**

This program should provide for:

- a) Maximum production of a variety of home-grown feeds for livestock, to eliminate the need for cash, and to assure adequate supplies.
- b) Maximum of crops to be sold for cash income.
- c) Improved conservation and cultivation practices.
- d) Improved seed varieties and treatment.

**4. Clothing:**

Enough clothing for health and warmth — at least one change for each member of the family — the kind of clothing that will enable the children to attend school, and the family to participate in community activities.

**5. Household Equipment:**

Every family needs a convenient and satisfactory cook stove, utensils to prepare family meals and properly care for milk; dishes for family meals; sufficient beds and bed covers.

**6. Housing:**

Every family should have a house that is weather - tight and have sufficient space to meet the needs of the family. When the Farm and Home plan is being developed consideration should be given to this most important question.

**7. Education and Community Activities:**

Definite plans should be made for:

- a) The children's attendance at school for the entire term. This means planning not only for clothing and school lunches, but also for management of labor so that children will not be kept away from school to work on the farm.
- b) Each member of the family to participate in all desirable community activities.



**III. Cases needing further adjustments before plan is completed:**

- A) If the farmer needs Tenure adjustments such adjustments may involve:
1. Where land is rented every farmer must have a written lease contract, containing satisfactory terms and conditions.
  2. Where written leases are available changes may be advisable for:
    - a) Elimination of objectionable clauses in the lease contract.
    - b) Revision of the amount and type of rent to be paid.
    - c) Provision for greater security of tenure.
    - d) Addition of provisions for protection of investments of all concerned.
    - e) Provision for housing repairs, sanitary toilet, fruit trees, garden space and fencing.
    - f) Adequate water supply.

IV. When the Supervisor has helped a family prepare their Farm and Home plan, make adjustments necessary for sound operations and get a loan - when he has done all these things, his work and responsibility of helping that family to increase its food production and attain habilitation has just begun. No matter how well the Farm and Home plan has been developed the family is not apt to be successful unless the plan is executed. For proper execution of the plan by the family effective and sympathetic Supervision by the Supervisor is required.

**VII. Area Advisory Committee:**

From the standpoint of soundness of any agricultural program and especially where loans are involved and also for good public relations it is important to obtain all of the good advice as possible from local successful and influential people as possible. Therefore it is recommended that for each area designated where supervised loans are to be made the Board of Directors of the Bank appoint an advisory committee to be composed of not more than five members to serve in an advisory capacity only to the Supervisor to assist with applicant selection, amount of loans, types of agriculture, crops to be grown and to keep the public advised as to the accomplishments made by the program and the assistance being offered to low income farmers to improve their standard of living. The qualifications, term of office etc, is to be determined by the Board of Directors of the Bank.

**VIII. Scope of Program -- 1954-55:**

It is considered desirable and advisable that the program of supervised agricultural credit for low income farmers be developed gradually and that expansion take place in accordance with the needs of the various regions or areas and the development of necessary skills among employees of the Agricultural Bank designated to administer such program.



To begin the program a well described area should be officially designated by the Board of Directors of the Bank within which Supervised Agricultural Credit loans will be made. When the area has been designated a man should be appointed to handle the field work involved and should have the functional title as "Area Supervisor". The Area Supervisor should be required to work closely with technicians of the U.S.O.M. office for training and developing the various farms, procedures, instructions and loan dockets required in the program operations. It is proposed that the designation of the area and the person who will serve as Area Supervisor be consummated at the earliest date possible. To insure, in so far as possible, the success of the program in its beginning stage, extreme care should be exercised in the selection of the area to be designated and the individual who is to serve as Area Supervisor.

As mentioned before the above is a very general statement of a Supervised Credit program intended to state briefly what it is and some of the more important subjects that will be involved in its administration. It is hoped that the subject matter presented will be helpful and that you will not hesitate to call on me for further explanation of any question that may arise.

\*\_\*\_\*\_\*\_\*\_\*\_\*\_\*\_\*\_\*\_\*\_\*\_\*\_\*\_\*\_\*

SDameron:na.



Files

Henry Wiens

March 22, 1954

Conrad H. Hammar

Agricultural Credit Survey

I asked Haidari specifically about the BMO specialists reportedly coming to Iraq for a credit survey. He went completely blank and insists there are no plans of any such kind. He checked also with Agricultural Bank.

We need very badly to review the affairs of the Agricultural Bank. If you think we could borrow the man for such a survey, I'll query the Bank on the matter.

FILE COPY

*Pres. Ag - Ag credit*



*Basic Farm Credit  
File*

December 6, 1954

**To : Mr. Abdul Whaab Al-Dabbaugh -- Director General  
Agricultural Bank of Iraq**

**From : Sam Dameron -- Farm Credit Advisor**

**Subject : Establishment and operational details for Experimental Supervised  
Agricultural Credit Project.**

**FILE COPY**

After considerable study of the government legislation and internal regulations under which the Agricultural Bank was established and is required to operate it appears, generally, there should be no legal objection to the administration of the subject program by the Bank. However there are certain technical details which should receive formal consideration and proper action by the appropriate authoritative officials. The details are as follows:-

1. Official designation of the Area in which the supervised credit program will be begun on an experimental basis and adopt the title of the official who will be technically in charge of the work as "Area Farm Supervisor" (Hilla Liwa suggested as the experimental area).
2. Designation of the Bank official and vesting authority in him with the concurrence of the U.S. technician assigned to work with the bank to:-
  - (a) Approve all loans whether in kind or in cash to be made under the program.
  - (b) Disburse all loans in accordance with the loan agreement entered into by each borrower with the bank when the loan was approved.
  - (c) Approve and pay for out of a special account, established by the bank, all purchases made and expenses incurred for the operation of the program -- such as rental of office space, utilities, fuel, purchase of office equipment, supplies, janitor service, transportation and repair of such equipment and supplies and travel expenses of employee in his area. (Suggested official, Banks Branch Manager covering the area designated for the program).
3. Allocate a loan account of ID.8,000, giving the account a number, from which loans under the program will be made during the fiscal year 1954-55.



4. Establish an account in the bank, giving it a number, from which the administrative cost for operating the program will be paid
5. Establish interest rate to be charged, for loans made (Suggested 3% per annum on unpaid principal).
6. Establish repayment schedule for loans. (Suggest one year for funds used for current years' operation expenses and not to exceed 5 years for funds used to purchase livestock and equipment).
7. Adoption of forms and procedures to be used in administering the program. (Copy of application, Farm Plan, Promissary Note, Real Estate Mortgage and Loan Agreement forms are attached for consideration).
8. Establish the policy under which supervised credit loans will or will not be made as follows:-
  - (a) Loans will be made only to farmers who occupy and cultivate with his own and family labor (employment of hired laborers during seasonal rush periods excepted). A farm or tract of land of sufficient size and quality to enable the operator to be successful as determined by a well developed farm and home plan prepared by the farmer with the assistance of the supervisor.
  - (b) No loans will be made to farmer who own or operate a farm or tract of land exceeding 300 donums.
  - (c) No loans will be made to a farmer who operates only an orchard containing more than ten (10) donums devoted entirely to fruit production.
  - (d) Loans will be made to eligible farmer for the purpose of assisting him to purchase food, feed for livestock, farm and home equipment, seed, fertilizer, insecticides, hire labor, farm building materials, livestock, clothing and refinancing of debts covered by a mortgage on growing crops or livestock used by farmers in operating their farms.
  - (e) Loans may be made to an individual farmer or group of farmers to purchase machinery and equipment necessary for land irrigation and furnish water for human and animal consumption.
9. Pass resolution requiring the area supervisor to prepare and submit to the Bank a complete report of the activities of his official work at the end of each month.
10. Approve the purchase of a Jeep or Jeep Station-Wagon to be used by the area Supervisor for conducting official work in connection with the operation of the supervised credit program. (Please refer to the special agreement between the U.S.O.M. and the Agricultural Bank which specifies the vehicle is to be furnished).



11. Resolve that borrowers receiving loans under this program must pay the cost of recording and other fees incident to placing the necessary security documents of record as required by policy of the Bank or by Government laws.
12. The General Director of the Bank to officially notify the head official of the Branch office of the Agricultural Bank of the area in which the experimental supervised credit program is to begin and request that such official cooperate and assist to the fullest extent the area Farm Supervisor and the U.S. Technician, who will conduct the program.

The above are the items I think of now that should be formally agreed upon, perhaps you may have others to supplement. No doubt as the program progresses I will have other recommendations to be submitted for your consideration and appropriate action.



Dec 26/54

~~To: Director General, Agricultural Bank of Iraq,~~

From: Sam Dameron

FILE COPY  
38

Subject: Establishment and operational details experimental supervised agricultural credit project.

This is a supplement to my memorandum to you dated December 8, 1954, regarding the above subject.

After considerable study and discussion with reference to the most simple and effective manner under which loans could be advanced to small low-income farmers, it appears advisable to use the Government Guaranty procedure to provide additional security to the Agricultural Bank for the loan funds advanced. A brief survey of the tenure status of farmers in this country shows that generally the farm operators are divided into certain groups as (1) Large owners who have or can arrange for sufficient operating capital and depend on tenants of various types and day labourers to cultivate the land. (2) Land owners, who operate their own farms with the assistance of day labour, and can arrange for the necessary operating capital through established credit channels. (3) Small farm owners who do not have sufficient lands and cannot arrange for operating capital under reasonable terms to reasonably assure success and (4) Farm tenants or share croppers who cultivate the lands of others and cannot arrange for operating capital from reliable sources and on terms they can reasonably fulfill and at the same time have a chance for success and raise the standard of living of the family.

As it is the intent and purpose of the supervised Agricultural Credit program to assist these small farmers who are unable to help themselves, loans should be made only to applicants who will be classified in groups (3) and (4) outlined above.

In view of the above it is recommended that official authorization be granted to proceed generally with the program as outlined in my memorandum of December 8, 1954, and that <sup>loans</sup> will be made only to farm cultivators who have and will operate sufficient land that can be expected to produce income that will enable the cultivator to pay for farm and home operating expenses and repay ~~the~~ loan over a period not to exceed 5 years as determined by a farm-and-home plan developed by the farmer with the assistance of the area Farm Supervisor.

As the purpose of this program is <sup>for</sup> assisting the low-income group of farmers, and since it is impossible for them to offer as security, for the small loans needed, immovable or movable property having sufficient value to be accepted by the bank under its <sup>usual</sup> loan program, it is requested <sup>by</sup> the Government, under the same procedure used with settlers on Miri-Sirif, <sup>Guarantee the loans</sup>

Land settlement projects.

Also it is requested that the special conditions under which supervised credit loans are made will be as follows:

- 1) Loan funds used by the borrowers to pay current operating expenses shall be repaid within one year and loan funds used for other purposes shall be repaid within five (5) years from date of the loan agreement.
- 2) Interest rate <sup>for</sup> such loans shall be five (5) percent per annum on the unpaid principle from ~~the~~ date of advancement.
- 3) The amount of loan made to each individual farmer under this program will be determined by the amount required and justified by the farm-and-home plan, but in no case shall the amount be less than fifteen (15) ID. or more than two hundred and fifty (250) ID.



Attached are <sup>farms</sup> ~~farms~~ which will comprise the loan docket, with the exception of the Government guaranty farm, and will be used for each loan made under the program. ~~Please advise me as to the acceptance and approval of these proposals at your earliest convenience.~~

Sam Dameron



SUPERVISED AGRICULTURAL CREDIT

Nov / Feb  
Agr. Credit.

Objectives for 1954

Farmers of Iraq are not only illiterate scientifically, they are even more illiterate with respect to the uses and management of credit. The objective of the Supervised Farm Credit Project is on-the-job training, on how to use credit, for operating farmers who wish and appear capable of handling borrowed money. The objective for 1954 is to get a project going in this important field and a draft project arrangement was submitted to the Agricultural Bank and the Ministry of Finance on July 3, 1953. The summer doldrums, the need to translate and present the proposal to the Board of the Agricultural Bank, and the need to consult the Minister of Finance who has been out of town much of the time has so far delayed formal approval of the project so that a beginning can be made on field work.

FILE

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Progress

There have been a considerable number of conferences with Iraqi officials to explain the nature and purposes of Supervised Farm Credit and a draft project arrangement has been prepared and submitted after approval by the Agricultural Bank to the Foreign Office for formal concurrence.

Organization

The project, when it gets under way, will be inaugurated under the supervision of the Agricultural Bank, which is responsible directly to the Ministry of Finance. This bank does, in theory, a broad farm lending business, and the statute under which it operates gives it comprehensive lending powers. In actual operation, however, the bank does little or no business with small farmers. The Bank has, therefore, been no force for reform in Iraq and has not used its resources to assist small farmers up the ladder to farm ownership.

A single U.S. farm credit supervisor will, on his arrival, be given two Iraqi assistants, an appropriate loan fund and told to go to work in

Prog. Agr. Credit



a selected Qada (counties). Loans will be made only on approval and only after the borrower has signed both farm management and repayment plans. The objective is to get the program into operation in one Qada and train Iraqi counterparts to take over and then to move on to another Qada to repeat the process.

#### Work Plans for 1954

The presumption is that approval of the project arrangement and request for a specialist by the Iraq Government will be in TCA hands in September and that a credit specialist can be recruited and in Iraq by the first of the calendar year, 1954.

Immediately after the approval of the project arrangement, however, work will be begun on the selection of a demonstration Qada and of the two Iraqi assistants (counterparts) to work with the specialist after his arrival. Also a draft amendment or supplement to the Project Arrangement covering specific aspects of the lending program will be prepared. This draft will cover the following matters:

- a. Types of loans to be granted.
- b. Eligibility of borrowers and appraisal of security.
- c. Size of loans (in total and in relation to security offered).
- d. Period of loans and rules governing renewals.
- e. Rates of interest and other charges.
- f. Rules governing use of loan funds.
- g. Repayment contract and procedures.
- h. Rules governing pledging of security and action in case of delinquency.

#### Institutionalization

A successful supervised credit project would probably result in the whole program's being quickly (perhaps automatically) put onto a permanent basis in the Agricultural Bank. The statute under which the Bank operates is,



apparently, (no legal opinion available) sufficiently broad to permit the granting of Supervised Credit without further legislation. A year's operation will test that presumption, and if it is false, appropriate bills can be prepared.

The project is deliberately designed to begin small so as to evoke no opposition. The fact that there is covert opposition to land reform (Miri Sirf Land Development Program) indicates that there would also be opposition to the granting of credit which is designed gradually to transform fellahin (laborers) on landlord estates into independent owning farmers. A small program will encounter less opposition than a large program and an Iraqi-run project will meet less objections than one too strongly directed by TCA.

Immediate institutionalization of this program is, therefore, not so important as the getting it established so well and soundly that its permanence is not only assured but automatic.



TRANSLATION

*F Agric - Credit.*  
*FOA*

GOVERNMENT OF IRAQ  
MINISTRY OF FOREIGN AFFAIRS  
AL-MUSSA'ADAT AL FANNIYA (Technical Assistance Department)

Mussa'adat/764/345/400/29795  
Baghdad, November 18, 1954

The Ministry of Foreign Affairs presents its compliments to the American Embassy in Baghdad, and has the honor to state that pursuant to the Agreement reached between the Agricultural Bank of Iraq and the United States Foreign Operations Administration in Iraq on the implementation of the 'Advance Under Supervision Project' in Iraq, the said Administration has assigned Mr. Dameron to supervise the application of the said project. Mr. Dameron assumed his duties on August 16, 1954.

The esteemed Embassy is requested kindly to mediate with the Foreign Operations Administration in Iraq with a view to implementing one of the provisions of the agreement covering the allocation of \$4,000 for the purchase of special machinery, equipment and automobiles to be placed under the supervision of the expert for use on his trips, in accordance with the Embassy's letter of January 21, 1954 addressed to the said Bank.

The Ministry will be grateful if the United States Foreign Operations will inform the Ministry of all the developments that may be reached by the project; and also requests this Administration that all communications with the appropriate Iraqi authorities be made through this Ministry, pursuant to the



the Ministry's Note No. Mussa'adat/764/345/400 of January 23, 1954 in order to enable the Ministry to supervise the progress of communications and to accomplish them at the earliest opportunity.

The Ministry avails itself of this opportunity to express the assurances of its highest consideration and respect.

SEAL

The American Embassy

Baghdad.



AIRGRAM

## FOREIGN OPERATIONS ADMINISTRATION

AIRGRAM

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SECURITY CLASSIFICATION  
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SUBJECT - Farm Credit Report

REFERENCE -

(Check one before  
each address)

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Attached is a report e titled FARM CREDIT ACTIVITIES IN SELECTED  
\*COUNTRIES WITH REFERENCE TO CREDIT PROGRAMS FOR UNDERDEVELOPED AREAS,  
by V. Webster Johnson of The Ford Foundation and Edwin C. Johnson of  
Farm Credit Administration. ~~for the Ford Foundation~~

In the footnote on page one it explains that this report is a  
cooperative undertaking between the Ford Foundation, The International  
Bank for Reconstruction and Development, Foreign Operations Administration  
and Harvard University. FOA participated by making E. C. Johnson available  
on a reimbursable basis from Farm Credit Administration, in this joint  
~~effort~~ undertaking to pull together the experiences in underdeveloped  
areas relative to the development of agricultural credit programs.

Agricultural credit is an important problem in all countries and  
this work should make a distinct contribution. We plan to have a discussion  
of this at the forthcoming Agricultural Officers Conferences in Beirut and  
Karachi. It is expected that V. Webster Johnson will be available for the  
discussion in Beirut. Particular attention will be given to this project  
as an illustration of the cooperative attack on an important problem. Our  
discussions may bring to light other problems which should be considered  
in a similar cooperative manner. It is suggested that you bring this report  
to the Conferences.

STASSEN

CABLE ROOM: Please send to the following with attachment:

3 Addis Ababa,	12 London	5 Kabul
4 Amman	5 Monrovia	3 Katmandu
4 Ankara	15 Paris/MSN	5 Karachi
10 Athens	10 Rome	8 New Delhi
5 Baghdad	10 Tehran	
6 Beirut	5 Tel Aviv	
8 Cairo	5 Tripoli	

AUTHORIZING OFFICER

ENHolmgreen, Director

DRAFTED BY

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OFFICE

S/FOOD

PHONE NO. DATE

3446 10/9/54

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AGRICULTURAL BANK REGULATION

No. of 1954

3/9/54 F

*File.  
Supervised Farm Credit.*

In accordance with Article 23 (as amended) of the Constitutional Law and Article 7 of the Law for the Creation of an Agricultural Bank No. 18 of 1940, and by virtue of the powers vested in us and pursuant to the proposal of the Ministry of Finance and with the approval of the Council of Ministers, we, hereby, order the promulgation of the following regulation on behalf of His Royal Highness.

Article 1. The Board shall establish a Branch of the Bank for the making of supervised loans for the improvement of cultivation by small farmers. The loans made by such Board shall be called, Supervised Cultivator's loans and shall be made for the purpose of increasing food production and for improving the efficiency and incomes of the borrowers. The making of Supervised Cultivator's loans may be inaugurated as of the date of the publication of this regulation in the Official Gazette.

Article 2. The following rules shall be followed by the bank in determining who may receive supervised cultivator's loans.

- a. Applicants must be of Iraqi nationality and members of households having had at least five years' experience in the cultivation of land.
- b. Applicants must have reached their 21st birthday and must not have passed their 55th birthday at the time the loan agreement is consummated.
- c. Each applicant must be a member of a household having good standing in a recognized village or community and must give formal assurance of his intention to continue in his occupation as a cultivator of the land.

*Supervised Farm Credit*



- d. Applicants who are accepted members of Miri Sirf settlement projects under Law 43 of 1951 for the Development and cultivation of Miri Sirf Land, shall be eligible for Supervised cultivators loans provided they meet requirements as set forth in subparagraphs a, b, and c of the article.

Article 3. Supervised cultivators loans may be made by the Bank only in areas where field offices have been established and an adequate staff provided for the supervision of such loans. The area Supervisor shall, furthermore, only make loans to eligible Fellahin households who —

- a. Accept and agree to follow a plan or program of cultivation//based upon improved practices and leading toward higher and more efficient production.
- b. Accept and agree to follow a loan repayment plan having the approval of the Loan Committee, *herein provided.*
- c. Accept and agree to follow a home plan directed toward the provision of a higher standard of comfort and much improved diets for the household.

Article 4. The Bank shall limit supervised cultivators loans to a maximum of ID 100 for a first loan; provided, however, that a borrower who shall have satisfactorily and successfully repaid a first loan shall be eligible for a second loan of the same type and such loan may, with the approval of the Supervisor, be for a maximum of ID 200. Provided also that a third loan with a maximum of ID 300 may be made to borrowers who have satisfactorily and successfully repaid a second loan and that borrowers who have satisfactorily and successfully repaid fourth and fifth loans may, with the approval of the Supervisor, be made loans for a maximum



of ID 400 and ID 500, respectively. Loans for more than a maximum of ID 500 shall not be made.

Article 5. Before supervised cultivator's loans may be made in any area, the Board shall:

- a. Officially designate such area as territory eligible for the making of such loans and,
- b. Require the establishment of one or more loan committees for such areas.

Provided, further that the <sup>appropriate</sup> Mudir Nahiya shall be exofficio member of all such loan committees and shall assist the Board in the selection of other members. Loan Committees shall consist of the Mudir Nahiya and not more than three additional members chosen from villages or communities within the area to be served. Members of these committees, other than the Mudir Nahiya, shall be appointed for periods of one to three years at the discretion of the Board. The functions and responsibilities of the Loan Committees shall be to review each loan application to determine (a) the eligibility for a loan of the applying applicant and household, and (b) the size of loan that may be made to each applicant. Provided also that no Supervised Cultivator's loan may be made unless it has the prior approval of the appropriate loan committee.

Article 6. Supervised Cultivator loans shall be for three years from the date of the beginning of the contract and shall be renewable for a further three years at the discretion of the Board and with the approval of the Loan Committee and area supervisor. Provided, further that additional renewals for appropriate periods may be granted by the Board upon the recommendation of the Loan Committee and Supervisor.



Article 7. The rate of interest charged on cultivator's loans shall be 6 per cent provided, however, that the Bank may require an appropriate application fee and make a small charge, not to exceed 1.5 per cent of the loan, for appraisal in cases for which loans are approved.

Article 8. The chief basis for making supervised cultivator's loans shall be the character, integrity and work capacity of the prospective borrower but no household shall be eligible for a loan unless an appraisal of the supervisor establishes that it owns and controls property either in land, or in farm implements, tools, work stock, livestock, and household furniture and equipment valued at not less than ID 20. Provided, further, that the Board shall require the pledging under an appropriate mortgage, of all property of the borrowing household as security for its loan.

Article 9. Steps to be taken by the Bank in case of default of either interest or principal payments on a Supervised Cultivator's loan shall be as prescribed for other loans by the bank and as set forth in Articles 26, 27, and 28 of the Agricultural Bank Regulations No. 40 of 1947.



Agricultural Bank of Iraq  
Main Office (Administration)  
Baghdad.

No. 13861

Date 22/8/1954

To: Ministry of Finance

FILE COPY

Subject: Under-Supervision Advances Project.

Reference is made to our letter No.1015 dated 14/1/1954 addressed to the Ministry of Foreign Affairs with a copy to you and the Ministry of Foreign Affairs' note No. Musa'adat/764/345/400 dated 22/1/1954 addressed to the United States Embassy in Baghdad with copy to you and copy to us concerning the implementation of the under-supervision advance method in Iraq as an experiment in accordance with the arrangements agreed upon between the Bank and the Technical Cooperation Administration and under the supervision of an American expert to be recruited by said Administration for this purpose

We would like to inform you that the U.S. Technical Cooperation Administration has recruited Mr. Sam. Dameron, an American ~~Expert~~ *Specialist* and that we have provided him with a suitable office in this building. He has begun work with effect from Monday the 16th August 1954 and is now busy studying the organization and regulations of the Bank and the methods applied by the bank at the present in respect of agricultural advances.



He is also preparing the rules and foundations proposed to be applied in the field of under supervision advances in the light of existing conditions in Iraq to initiate the implementation of the ten project.

Sayid:

Signed: Abdul Wahab Al-Dabagh  
Director General and  
Chairman of the Board

Copy:

Ministry of Foreign Affairs, for information

Technical Cooperation Administration  
c/o. American Embassy, Baghdad, for information



العدد ١٢٨٦١

التاريخ ١١٠٤/٨/٤٤

FILE COPY

وزارة المالية

مشروع التسليف تحت الاشراف

بالإشارة إلى كتابنا المرقم ١٠١٥ والمؤرخ في ١٤/١/٥٤ المعنون إلى وزارة الخارجية ونسخته منه اليكم ومذكرة وزارة الخارجية المرقمة مسامرات / ٢٦٤ / ٢٤٥ / ٤٠٠ والمؤرخة في ٢٣/١/٥٤ الموجهة إلى سفارة الولايات المتحدة الأمريكية في بغداد ونسخته منها اليكم والينا حول تطبيق طريقة التسليف تحت الاشراف في العراق على سبيل التجربة حسب الترتيبات التي تم الاتفاق عليها بين هذا المصرف وإدارة التعاون الفني الأمريكية وتحت اشراف خبير أمريكي مستقده إدارة التعاون المشار إليها لهذا الغرض .

نود ان نخبركم بهذا الصدد ان إدارة التعاون الفني الأمريكية استقدمت الخبير الأمريكي المستر سام دامرون ( Mr. Sam Dameron ) وقد هيأنا له فترة مناسبة في نهاية هذا المصرف وبأشرافه منذ صباح يوم الاثنين الموافق ١٦/٨/٥٤ وهو يعمل الآن على دراسة قانون المصرف وأنظمتها والطريقة المتبعة في الوقت الحاضر في التسليف الزراعي وتجهيز القواعد والأصول التي يستقر تطبيقها في مجال التسليف تحت الاشراف على ضوء الأوضاع والأحوال السائدة في العراق تمهيداً للمباشرة في تنفيذ هذا المشروع .

المدير العام  
ورئيس مجلس الإدارة  
عبد الوهاب الربيع

نسخة منه إلى -

وزارة الخارجية - للتفضل بالاطلاع .

إدارة التعاون الفني في السفارة الأمريكية ببغداد - للمعلومات .



SECURITY CLASSIFICATION

UNCLASSIFIED

FROM - Washington

SUBJECT - Credit Unions

REFERENCE: All Food and Agriculture Officers

(Check one before  
each address)

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The Credit Union National Association has expressed a strong interest in participation in programs to extend the Credit Union idea to other countries. In line with this interest, it has made the following offer:

1. To supply to FOA materials about Credit Unions. A kit of such materials is enclosed. The Association will do its best to meet requests for additional materials.
2. To lend competent personnel for country studies to advise on establishment of credit unions. The Union would continue to pay the salary of such personnel with FOA paying per diem and travel. We are relaying this for your information with no intention of special promotion of credit unions. We are assuming that you will continue to consider, in balance, the various credit approaches to meet rural credit needs.
3. To help provide orientation in credit unions for trainees brought to the U. S.

FITZGERALD (ACTING)

CBLE ROOM: PLS SEND TO FOLLOWING AS USFOTO CIRCULAR X A-92

ATTACHMENT TO EACH POST\*\*\*\*\*

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Henry Wiens

J. G. Russel

Supervisor Agricultural Credit Project, Mr. Dameron

*Agric - Credit.*

August 16, 1954

Our records are as follows:

**FILE COPY**

1. Project prepared and signed by us September 16, 1953.
2. Project submitted by the Embassy to the Iraq Minister of Foreign Affairs September 21, 1953. No. 181.
3. A letter from the Government of Iraq, Minister of Foreign Affairs dated January 23, 1954, which "confirms to the esteemed Embassy the appropriate Iraqi authorities' concurrence with the agricultural appropriations project under cover of the above note (ref. to #181)."
4. Two clear-cut outlines of procedure prepared by Dr. Hammar on the basis of which Mr. Dameron can know what he is expected to do.

Mr. Dameron's immediate concern is his authority to travel about Iraq. He now knows that the Agricultural Bank is obligated to furnish that, and he is taking to them the appropriate wording of the Agreement which covers it.

*Copy of Agr. Credit*



TRANSLATION

C Files

No. 4313  
July 15, 1954

From : Ministry of Development  
Miri Sirf Land Development Committee  
Administration and Personnel Section

To : Chief, of Group, Technical Cooperation Administration

Subject : Supervised Credit for Iraq.

**FILE COPY**

Reference to your letter No. \_\_\_\_\_ dated July 12, 1954

addressed to the Ministry of Economics and copy to us.

You, no doubt, know that the Chief of the Central Committee represents the MSLD committee and its activities with all other departments. The direct contact with other departments may cause loss in effort and in the attainment of objectives sought by both parties or might cause a considerable delay. As this Committee regrets the inability to confirm this request, we shall be glad if you submit your proposals in the future directly to this Committee and we shall be ready and willing to support all proposals which lead to the improvement of economic and agricultural conditions and raise the standard of the investors.

Signed  
Hassan Mohammed Ali  
Chief, Central Committee

c.c.  
Ministry of Development, Reference to the letter answered above.  
Ministry of Economics, for Information  
Mr. Henry Wiens, Director, Point Four in Iraq.



٢٢١٢

العدد /  
التاريخ ١٩٥١/٧/١٥

١٥

وزارة الاعمال  
والساعات  
الامانة العامة

الى

رئيس حركة الضم والاندماج  
الوطن / السيد الشريف  
في

كلمة للعلم  
الى وزارة الاعمال وساعات  
والوطن في ١٩٥١/٧/١٥

تعالون بان رئيس اللجنة التركيبية هو الذي يمثل هذه  
الوزارة وهو يجهل علم كاتبة الدوائر . وان الاعمال العامة بالوزارة  
الاخرى ليست يوحى اليه خيالات المجهود والعناءات المجهودات التركيبية  
لو انكم تعرفون ان اللجنة . وفي الوقت الذي تأجلت هذه الوزارة  
بعدم استكمالها تأجيل كل هذا الطلب الموضوع عاجلا يسرنا جدا  
لو وجهتم طروحاتكم الى هذه الوزارة في المستقبل واننا على التمسك  
استعدادنا لمساعدة كاتبة الملاحظات التي توحى اليكم تحسين الحالة  
الاعمالية والوزارة وضع مستوى المستفيدين .

حسن محمد علي  
رئيس اللجنة التركيبية

FILE COPY

موجه الى

وزارة الاعمال  
وزارة الاعمال  
بالامانة العامة الى الكتاب العام هذه الاعمال  
للامانة العامة للاطلاع

المستوى العالي في الوزارة في العراق



*File  
By Credit*

Mr. Philip W. Ireland, Deputy Chief of  
Mission  
Gilbert E. Larsen  
LAND TAX LAW

Feb. 16, 1954.

One Arabic copy of the new land tax law  
was obtained this morning - February 16, 1954.  
It is 28 pages long.

We plan to make a digest within the next  
two days and a translation within 2 weeks, or  
less if possible. Copies will be distributed  
when ready.

c.c. to:

Dr. Henry Wiens - USOM  
Mr. Conrad Hammer - USOM ✓

GELarsen:jak

FILE COPY

*Prog. by - by - credit*



Files

c/o American Embassy, FOA  
Baghdad, Iraq  
May 14, 1954

Ministry of Finance  
Baghdad

Attn: General Manager, Agricultural Bank

FILE COPY

Gentlemen:

I am very pleased at last to be able to send you biographical data on the man being recruited by the Foreign Operations Administration in Washington for the Supervised Farm Credit Project. The candidate's name is Mr. Sam Dameron and on the attached sheet you will find a detailed account of his professional experience. May I say that his background appears excellent for the purposes of the Supervised Farm Credit project.

I sincerely hope you will notify me immediately of his acceptability to you for the Post. I would appreciate a telephone call on the matter.

Presumably, Mr. Dameron can be in Iraq by June 15.

Respectfully,

Conrad H. Hammar  
Chief, Agriculture Division

Attachment:

As mentioned above.

Supervised Farm Credit



COPY

**Candidate:** Sam Dameron, Date of Birth, 11/16/07, married.

**Education:** B.S.A., June 1931, University of Arkansas.

**Experience:** 1/7/52 to present, Agriculture Credit Spec., Pt. IV-4, \$8163, Institute of Inter-American Affairs/FOA, Asuncion, Paraguay.

1/30/50 to 1/7/52 Loan Examiner, GS-11, \$5400, Reconstruction Finance Corp., Little Rock, Arkansas.

9/22/47 to 10/28/49 Appraiser, CAF-13, \$7432, Mississippi River Commission, Vicksburg, Miss.

7/27/47 to 9/22/47 County FHA Supv., Farmers' Home Administration, Little Rock, Arkansas.

2/23/47 to 7/27/47 Agriculturist, Chief, FO Div., Farmers Home Administration, Little Rock, Arkansas.

1/27/46 to 2/23/47 Administrative Officer, Chief, Project Liquidation Farm Security Administration, Little Rock, Arkansas.

12/16/43 to 1/27/46 Senior Farm Ownership Spec., Farm Security Admin., Farm Ownership Div., Little Rock, Arkansas.

2/11/42 to 12/16/43 Asst. Chief, F.O. Div., Farm Security Administration, Farm Ownership Div., Little Rock, Arkansas.

12/21/38 to 2/11/42 State Tenant Purchase Spec., Farm Security Administration (Arkansas State Office), Little Rock, Arkansas.

9/1/34 to 1/20/36 Technical Ass't and Act. Ass't., Dir. Expt. Sta., Resettlement Administration, Hope, Arkansas.

7/8/34 to 9/1/34 Assistant County Agent, Agriculture Extension Service, Texarkana, Arkansas.

7/8/33 to 7/7/34 Loan Application Examiner, Federal Land Bank, St. Louis, Missouri.

7/1/31 to 7/7/33 Technical Assistant, University of Arkansas, Fayetteville, Arkansas.



*Files*

Henry Weiss

March 17, 1954

Conrad H. Hammar

Attached Airgram re Supervised Agricultural Credit Project

The draft has been read by Smith.

I anticipate nonconcurrence from Robinson and Beck. See their comments attached. I cannot, however, agree with their objections and think that we should ask that special arrangements be made for providing credit for Miri Sirf settlers. That is a matter to be taken up apart from and in addition to this Supervised Credit Project, and I shall be glad to assist in every way I can.

Haidari agrees most emphatically with my "conservative" approach as will, I am certain, the Board of the Bank which is now having this draft translated. I am insisting to the Board that such a regulation be approved as a step to give status and security to the project. Perhaps you should call in Beck, Robinson, and myself to discuss.

*Very Ag - by credit*

FILE COPY

Attachment:

As mentioned above.



=====

بموافقة مجلسي الاعيان والنواب امرنا بوضع القانون الآتي . .

المادة الاولى - تحذف عبارة ( خمسمائة ألف دينار ) من الفقرة الاولى من المادة الثالثة

من قانون المصرف وتحل محلها عبارة ( مليون دينار )

المادة الثانية - يضاف الى آخر المادة الثانية الفقرة الآتية . .

تسليف تجار القطن مبالغ لا يتجاوز مجموعها ( ٥٠٠ ر ٧ ) دينار لكل تاجر

او شركة تجارية ونسبة لا تتجاوز ( ٦٠ ٪ ) من ائتمان الاقطان المكبوسة

والمخزونة في المحالج والمؤمنة حقوق المصرف بها .

المادة الثالثة - يضاف ما يلي فقرة ثانية للمادة الثالثة من القانون وتصبح الفقرة

الثانية منها فقرة ثالثة .

٢ - للمصرف المؤسس وفق الفقرة ( آ ) من المادة الثالثة أن يعقد القروض -

باصدار السندات او بأى طريقة اخرى بالشروط التي يقررها مجلس ادارة

المصرف ويوافق عليها وزير المالية سواء كانت هذه القروض بضمان الحكومة

او بدون ضمانها .

المادة الرابعة - تحذف عبارة ( مدة سنة ) الواردة في الفقرة ( ٢ ) من المادة التاسعة

وتحل محلها عبارة ( مدة لا تتجاوز ثلاث سنوات ) .

المادة الخامسة - ينفذ هذا القانون اعتبارا من تاريخ نشره في الجريدة الرسمية .

المادة السادسة - على وزير المالية تنفيذ هذا القانون .

كتب ببغداد في اليوم العشرين من شهر شعبان سنة ١٣٦٩ واليوم الخامس من شهر

حزيران سنة ١٩٥٠

عبد الله

توفيق السويدي

رئيس الوزراء

عبد الكريم الازري

وزير المالية



# رقم (٦١) لسنة ١٩٥١

## نظام

تعديل نظام المصرف الزراعي رقم ٤٠ لسنة ١٩٤٧

---

استنادا الى المادة (٧) من قانون تأسيس مصرف  
زراعي رقم ١٨ لسنة ١٩٤٠ وبناء على ما عرضه وزير المالية  
ووافق عليه مجلس الوزراء اُمرنا بوضع النظام الآتي :-

المادة الاولى - نحذف كلمة ( ستين ) الواردة في  
الفقرة ( ب ) من المادة الخامسة من نظام المصرف الزراعي  
رقم (٤٠) لسنة ١٩٤٧ وتحل محلها جملة ( ثلاث سنوات ) .

المادة الثانية - ينفذ هذا النظام من تاريخ نشره في  
الجريدة الرسمية .

المادة الثالثة - على وزراء الداخلية والمالية والعدلية  
تنفيذ هذا النظام .

كتب ببغداد في اليوم السابع عشر من شهر ربيع



قانون

تعديل قانون تأسيس مصرف زراعي رقم ( ٤٥ ) لسنة ١٩٥٠

=====

بموافقة مجلسي الاعيان والنواب بعد قنا القانون

الآتي . .

المادة الاولى - تحذف عبارة ( مليون دينار ) الواردة في الفقرة الاولى

من المادة الثالثة من القانون رقم ( ١٨ ) لسنة ١٩٤٠

المعدلة في المادة الاولى من قانون التعديل رقم ( ٤٥ ) لسنة

١٩٥٠ وتحل محلها عبارة ( مليوني دينار ) .

المادة الثانية - يسد ما يعادل المبلغ غير المدفوع من رأس مال المصرف

المذكور من المال الاعتيادي للخزينة العامة .

المادة الثالثة - ينفذ هذا القانون من تاريخ نشره في الجريدة الرسمية .

المادة الرابعة - على وزير المالية تنفيذ هذا القانون .

كتب ببغداد في اليوم الثامن عشر من شهر جمادى الثاني سنة

١٣٧١ واليوم الخامس عشر من شهر مارس سنة ١٩٥٢ .

عبد الله

نوري السعيد  
رئيس الوزراء

ضياء جعفر  
وكيل وزير المالية

( نشر في الوقائع العراقية عدد ٣٠٧٥ في ٢٠/٣/١٩٥٢ ) .



# رقم (٦١) لسنة ١٩٥١

## نظام

تعديل نظام المصرف الزراعي رقم ٤٠ لسنة ١٩٤٧

---

استنادا الى المادة (٧) من قانون تأسيس مصرف زراعي رقم ١٨ لسنة ١٩٤٠ وبناء على ما عرضه وزير المالية ووافق عليه مجلس الوزراء اُمرنا بوضع النظام الآتي :-

المادة الاولى - نحذف كلمة ( ستين ) الواردة في الفقرة ( ب ) من المادة الخامسة من نظام المصرف الزراعي رقم ( ٤٠ ) لسنة ١٩٤٧ وتحل محلها جملة ( ثلاث سنوات ) .

المادة الثانية - ينفذ هذا النظام من تاريخ نشره في الجريدة الرسمية .

المادة الثالثة - على وزراء الداخلية والمالية والعدلية تنفيذ هذا النظام .

كتب بغداد في اليوم السابع عشر من شهر ربيع



الاول سنة ١٣٧١ واليوم السابع عشر من شهر كانون  
الاول سنة ١٩٥١ .

عبدالله

نوري السعيد  
رئيس الوزراء

مصطفى العمري  
وزير بلا وزارة

عمر نظمي  
وزير الداخلية

مجمد حسن كبه  
وزير بلا وزارة

ماجد مصطفى  
وزير الشؤون الاجتماعية

شاكر الوادي  
وزير الدفاع  
ووكيل وزير الخارجية

جميل عبدالوهاب  
وزير العدلية

ضياء جعفر  
وزير المواضلات والاشغال  
ووكيل وزير المالية

خليل كنه  
وزير المعارف

عبدالمجيد محمود  
وزير الاقتصاد

---

نشر في الوقائع العراقية بعدد ٣٠٤٩ في ٢٧-١٢-١٩٥١



قانون

تعديل قانون تأسيس مصرف زراعي رقم ( ٤٥ ) لسنة ١٩٥٠

=====

بموافقة مجلسي الاعيان والنواب بعد قنا القانون

الآتي ..

- المادة الاولى - تعذف عبارة ( مليون دينار ) الواردة في الفقرة الاولى من المادة الثالثة من القانون رقم ( ١٨ ) لسنة ١٩٤٠ المعدلة في المادة الاولى من قانون التعديل رقم ( ٤٥ ) لسنة ١٩٥٠ وتحل محلها عبارة ( مليوني دينار ) .
- المادة الثانية - يسد ما يعادل المبلغ غير المدفوع من رأس مال المصرف المذكور من المال الاحتياطي للخزينة العامة .
- المادة الثالثة - ينفذ هذا القانون من تاريخ نشره في الجريدة الرسمية .
- المادة الرابعة - على وزير المالية تنفيذ هذا القانون .
- كتب ببغداد في اليوم الثامن عشر من شهر جمادى الثاني سنة ١٣٧١ واليوم الخامس عشر من شهر مارس سنة ١٩٥٢ .

عبد الله

نوري السعيد  
رئيس الوزراء

ضياء جعفر  
وكيل وزير المالية

( نشر في الوقائع العراقية عدد ٣٠٧٥ في ٢٠/٣/١٩٥٢ )



## بيــــــــــــــــان حول تعديل العقد التأسيسي للمصرف الزراعي

- ١ - وافق مجلس الوزراء " بقراره " المتخذ في جلسته المنعقدة في ١٦ / ٥ / ١٩٥٣ على " المادة الخامسة من عقد تأسيس المصرف الزراعي " والاستعانة عنها بما يلي :
  - هـ - على المصرف تكوين رأس مال احتياطي له من ارباحه السنوية وعند ما يصبح رأس ماله الاحتياطي مساويا لرأس ماله المقرر عليه ان يدفع الى الخزينة العامة جميع الارباح الفائضة التي تتجم عن اعماله سنويا ايضا " لرأس المال المدفوع " .
- ٢ - كما وافق المجلس المشار اليه بقراره انصف الذكر على حذف جملة ( ٥٠٠٠٠٠ ) دينار الواردة في المادة الرابعة من العقد " اذ لا يجوز ان يكون مبلغ المال المدفوع " المقرر مليوني دينار " .

وزير المالية

نشر في جريدة الوقائع العراقية رقم ٣٢٨١ وتاريخ ١٣ / ٧ / ١٩٥٣



نظام

تعديل نظام المصرف الزراعي رقم ٤٠ لسنة ١٩٤٧

متمم

- استنادا الى العادة السابعة من قانون تأسيس مصرف زراعي رقم (١٨) لسنة ١٩٤٠  
وبناء على ما عرضه وزير المالية ووافق عليه مجلس الوزراء امرنا بوضع النظام الآتي ..  
العادة الاولى - تضاف العبارة الآتية الى آخر الفقرة (١) من العادة (١٣) من نظام  
المصرف الزراعي رقم ٤٠ لسنة ١٩٤٧ .  
( ٥٠ ) بالعامة من قيمة المكائن والآلات الزراعية .  
المادة الثانية - ينفذ هذا النظام من تاريخ نشره في الجريدة الرسمية .  
المادة الثالثة - على وزير المالية تنفيذ هذا النظام .

نشر في الوقائع رقم ٢٤٤٦ وتاريخ ٩/٢/١٩٥٤

اكرم



نظام تعديل  
النظام الداخلي  
للمصرف الزراعي

- المادة الاولى - تعذف جملة ( وزارة الاقتصاد ) الواردة في الفقرة (ج) من المادة الاولى ( ١ ) من النظام الداخلي للمصرف الزراعي ويحل محلها جملة ( وزارة الزراعة ) .
- المادة الثانية - تضاف عبارة ( عدا القرارات المتعلقة بالتسليف على اختلاف انواعه التي تعتبر قطعية بمجرد صدورها من المجلس ) بعد كلمة ( الجلسة ) الواردة في الفقرة ( ٣ ) من المادة الثانية من النظام الداخلي للمصرف الزراعي .
- المادة الثالثة - ينفذ هذا النظام من تاريخ نشره في الجريدة الرسمية .
- المادة الرابعة - على وزير المالية تنفيذ هذا النظام .

نشر في الجريدة الرسمية رقم ٢٢٦ و المؤرخ ٢٢ / ٤ / ٥٤

عبد القادر



نحن فينصل الثاني ملك العراق

بعد الاطلاع على الفقرة الاولى من المادة السادسة والمشرين من القانون الاساسي واستنادا الى المادة السابعة من قانون تأسيس مصرف زراعي رقم ١٨ لسنة ١٩٤٠ وبناء على ما عرضه وزير المالية ووافق عليه مجلس الوزراء أمرنا بوضع النظام الآتية :-

المادة الاولى - تلتى المادة الحادية عشرة من نظام المصرف الزراعي رقم ٤٠ لسنة ١٩٤٧ ويحل محلها ما يلي :-  
المادة الحادية عشرة - تملك الجمعيات التعاونية الزراعية التي تعمل تحت اشراف خبراء وزارتي الاقتصاد والزراعة بنعمانة ممتلكاتها مبالغ يقررها المجلس حسب حاجة الجمعية لادارة امورها الزراعية والصناعية الريفية بغائدة لا تزيد على ( ٣ ٪ ) سنويا .

المادة الثانية - تضاف الفقرة الآتية على المادة ( ١٣ ) من النظام المذكور وتعتبر فقرة ( د ) لها :-  
د - للمصرف با لاتفاق مع مصلحة الآلات والمكينات الزراعية ان يتوسط في شراء المكائن والآلات الزراعية الجديدة للمزارع من الشركات المستقرة وتسليفهم لهذا الغرض ما لا يتجاوز ( ٨٠ ٪ ) من اثمانها على ان تعهد الشركة للمصرف بأن تؤدي خدمات مجانية للزراع تعين باتفاق خاص وان تحصل نصف الغمائر التي قد تنجم عن التسليف المذكور .

المادة الثالثة - ينقل هذا النظام من تاريخ نشره في الجريدة الرسمية .  
المادة الرابعة - على وزير المالية تنفيذ هذا النظام .

نقب ببغداد في اليوم الثالث عشر من شهر جمادى الاولى سنة ١٣٧٣ الموافق لليوم الثامن عشر من شهر كانون الثاني سنة ١٩٥٤ .

فينصل

محمد قاسم الجمالي  
رئيس الوزراء

علي عيسندر سليمان  
وزير الاعمار  
بمبيل الاورقة لسي  
وزير العدل  
ووكيل وزير المواصلات والاشغال  
محميد قسزاز  
وزير الداخلية  
عبد الامير عسكوي  
وزير الصحة  
اركان عيسندر عيسندر  
وزير بشار وزارة  
عيسندر عيسندر  
وزير بشار وزارة  
ووكيل وزير الاقتصاد

محمد علي محمود  
نائب رئيس الوزراء  
ووكيل وزير الخارجية  
عبد الكريم الاوزي  
وزير المالية  
عبد المبيد القهاب  
وزير المعارف

عيسين مسكي عيسين  
وزير الدوا  
عيسندر الفني الدلي  
وزير الزراعة  
رفائيل بلبي  
وزير بشار وزارة  
محمد شفيق عيسندر  
وزير بشار وزارة  
ووكيل وزير الشؤون الاجتماعية

نشر في الوقائع العراقية عدد ( ٢٣٥٤ ) وتاريخ ١٩٥٤/٢/٤



Law of  
Adjustment -

Ag. in. V. 1000

for years 1940, 1950,  
1947, '53, 54.

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INSTRUCTIONS CONCERNING THE AGRICULTURAL ADVANCE UNDER  
THE SUPERVISION

Pursuant-

the

Technical Cooperation Ad.

According to the agreement between <sup>the</sup> Iraq Government and ~~FOA~~ in Baghdad concerning the agricultural advance under the supervision in Iraq, the bank's administrative council decided in its meeting ~~which was~~ held in / / 195 to issue these instructions and to do according to them.

Article I - Definition

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1. The District is the province or provinces which are chosen according to the agreement between the bank and FOA and announced about it for the purpose of applying the method of agricultural advance under the supervision on small farm ownerships who wish to have advance.

2. The small farmer - He is the one who owns agricultural lands not more than (400) mishara, whether it was flooded or irrigated by means or owing gardens their areas not more than (20) misharas. The excess of these two limits is excused if it was less than ten donums in the agricultural lands and two donums in the gardens.

3. The committee of advance under supervisions

(a) The committee that is formed from the bank's representative (the expert delegate for advance under supervision at the present time ) and three members one of them is the chief of the village as the Sirqal or the selected one or the one who the members of the village go to so as to organize their social communication according to the local definition. The second is the selected man of the village (Mukhtar), the thirds is a distinguished member of the village who has a wide knowledge about the farmers. If the first member (chief of the village) was the selected one (the Mukhtar) the one that replaces him in membership is that who owns the same qualifications as the third member from the point of view of his situation and his social position among the members of the village. All members in general should be from the inhabitants of the village and membership period



should be one year, it could be extended another year.

The nomination of those who own the province membership qualifications is accomplished by the administrative legislation as mutasarrif or Qaimaqam each one according to his specialization concerning the village section according to the administrative divisions.

(b). If the membership of one of the members committee was vacant for any reason another individual who owns the same qualifications is appointed, and the new member will accomplish the period of the previous one starting from the date of his appointment.

(c) The member of the committee is deprived from the right of advance under the supervision only according to these instructions.

## Article II

The branch of advance under supervision in the general center and in the bank's branches in the liwas in which the method of advance under supervision is applied is to explain this method orally to those who ask for advance and or submitted to it. The explanation should be fully accomplished and make them understand that their advance depend on their acceptance of the bank's advices and their obligation in following the agricultural program which its representative suggests it to them so as to cultivate their agricultural fields in a way that leads to agricultural improvement, development of its methods, increasing of product and raising their economical and social level. That could be accomplished by being supervised in concern of how these advances which given to them are spent, how their farms are directed, the collection and selling of products and to secure to pay the debt of the bank and their other debts from the costs of those products in a way that secures the organization of their affairs in the future, and to make clear to them that these advance which the bank decides for them are given either in one payment or in successive payments according to their agricultural needs in one season or



or many seasons according to the committee's advice and the suggestions of the expert who is the delegate for advance under supervision. If they agreed on advance according to this situation after explaining to them in detail, their approval is embodied in the application form and put down in the application form.

Article III - Guarantee and amount of advance

1. Guarantee of advances given according to (advance under supervision) is either transferred or not transferred properties according to the details in article (10) of the bank's regulation No. (40) for the year 1947.
2. The advance that is given to the small land owner does not exceed (500) dinars for a period of five maximum years. The advance is spent either in one payment or in successive payments as it is clarified in para. (6) of Article IV of these instructions.
3. The proportional percentages which their definitions are in pro. (A and B) of Article 13 of the bank's regulation No. (40), 1947 of the guarantee value in specifying the amount of advance to the farmers.

and

Article IV - Procedures of the dealing/the committee's duties

1. The branch of advance under supervision in the general center is to be an authority in organizing the advances dealing which are accomplished according to this method. The regulations that are followed are the same which are used at the present time in organizing the application form for advance and the informations which the same application form contains excluding the instructions of the administrative application form. The committee is substituted for the administrative legislation in the inquiries concerning the one who is asking for the advance, his reputation and his need for the requested advance and whether the agricultural purpose is fulfilled and he directs his agricultural affairs directly or through the fellahins, and the scope of relation between him and the fellahins in concern of rights and duties concerning both sides; whether that is done according to



an agreement between them or the local dealing. These informations are registered in a special form organized for this purpose and attached to the other papers.

But the other liwas in which this method of advance is decided to be applied in each liwa the branches of the bank are the authority to organize the dealing papers according to the form illustrated above.

2. The dealing papers after being organized are transferred to the one whom the bank appoints to represent it, so as together all the members of the special committee and the local (top officers) during the time that he appoints for the purpose of inquiring about the demander of the advance according to the details that the previous para. contained. If after the inquiries appeared that the demander of the advance is in a real need for it, the committee has to examine the assurance and evaluate its price by the participation of the bank's representative and the (top officer) and to register the results of the investigation and the evaluation in the special application form and the advice concerning the amount of advance which the committee suggests to be given to the demander of the advance for his immediate and future agricultural purposes.

For condensing the forms of the dealing so as to make it easy to the demands of the advance, (the officer of the top) after examining and evaluating registers his answers about the questions which appear in the form concerning the assurance and whether there are handicaps that prevent its being insured by the bank.

3. It is taken from the demander of the advance a limited fare, its amount is (2/000) two dinars so as to be distributed on the members of the committee and the (top officer) in equal proportions excluding the bank's representative (whether he was the inspector of the advance or the expert of advance under supervision). The demander of the advance has no right to take back this fare, whether the committee advised that he should be given the advance as whole or as parts or did not advise. He is supposed also to prepare a round trip means of transportation for the members to the place of assurance as it is followed in the other dealings.



4. If the dealing was accomplished according to what was stated above it is given to the general center to be examined and checked by the ~~bank~~ <sup>advance</sup> ~~under supervision~~ <sup>(p) the borrower has the right to draw the amount which is registered</sup> under supervision and offered to the director general with a satisfactory conclusion about it includes the kind of assurance, the nature of its soil, the irrigation way, its liability for plantation according to the seasons, the price that was evaluated, <sup>(h) The borrower has the right to draw the amount which is registered</sup> the agricultural purposes which the committee was sure of and is registered the amount of advance according to these purposes, and the behaviour of the demander of advance in his treatment with the bank if he had a previous advance. And the suggestions of the branch concerning the dealing with all sides.

5. The decided advance is not spent for the demander unless after organizing the advance voucher and the special notices and to put the sign of retainment on the assurance in office (tapo) if it was from the not transferred wealth or to ok the voucher of the advance at the (office of Katib al 'Adl) if the assurance was from the transferred wealth.

6. The decided advance is spent for its demander completely if it was equivalent to the amount that was advised by the committee or less than that. But if it was more than that, it will be spent according to the following:

(a) The amount that will be spent is that which was advised by the committee only and the remainder of the decided advance is registered for the demander in a special account of guarantee and advances (advances of the demanders under supervision) for six months and the interest of the paid advised amount is to be taken during six months.

(h) The borrower has the right to draw the amount which is registered for him in the account of the borrowers demands under supervision, either in one payment or in successive payments during the six months which were mentioned previously, On condition that he offers a request in that showing his need in detail. His need should be approved by the nominated expert for advance under supervision after a local investigation done by him for this purpose, and the interest is paid of each



amount given to him from the mentioned account in this way for remaining time of the six months which were mentioned starting from the date of spending.

c) The amount of loan is limited to the added amounts that are paid to the borrower from the original decided advance during the mentioned period and that is six months according to para (a and B ) above and then the interest concerning the amount of debt is taken from him for other six months for the interest of the first year the borrower's right is dropped in drawing the remainder of the previous mentioned account after the mentioned period being over, and then the remainder is registered as an income for the account of debts.

#### Article V - The agricultural improvement and the development of its method

The most important goal which the method of advance under supervision is trying to maintain is to work on the assurance of the agricultural variety in the agricultural fields and the development of its methods by using the new methods as the agricultural instrument and the chemical manure and to raise the level of the borrowers from the economical and social sides. To realize this goal the bank has the right to supervise how they spend the advances which are given to them, how they direct their farms, collect and sell their products, the insurance of paying the bank's advance and their other debts from the prices of the products in a way that guarantees to organize their affairs in the future, at the same time, the bank does not hesitate to guide the borrowers of the farmers to buy the good qualities of the different seeds, chemical manure the new agricultural equipment to be used in their agricultural farms and to guide them as much as possible to the way of this use. In such situations the prices of the material which the borrower would like to obtain are paid from the amount of the decided advances.

#### Article VI

The rules and regulations of the agricultural bank are to be considered in the situations in which these informations do not refer to or discuss them in detail.



لتسليف  
فهم  
Seyy

بمسا على الاتفاق الحاصل بين الحكومة العراقية وادارة الصاعون الفنى الامريكية ببغداد على تطبيق طريقة التسليف الزراعي تحت الاشراف في العراق فقد قرر مجلس ادارة المصرف في جلسته المصغدة بتاريخ ١٩٥٠ / / اصدار هذه التعليمات والعمل بموجبها .

### المادة الاولى - تعريف

١ - المعطية - هي المقاطعة أو المقاطعات التي عتارها لاتفاق ما بين المصرف وادارة الصاعون الفنى الامريكية ويعلن فيها لغرض تطبيق طريقة التسليف الزراعي تحت الاشراف على صغار الزارعين الذين يرفون فسي الاسلاف .

الزراع الصغرى - هو من تكون بحوزته اراضي زراعية لا تزيد مساحتها عن ( ٤٠٠ ) مشارة سوا كانت سيجية أم تعلق بالواسطة أو بساكن لا تزيد مساحتها عن ( ٢٠ ) مشارة . وتغفر الزيادة على هذين الحدين اذا كانت دون العشرة دوام في الاراضي الزراعية أو الدونعين في البساتين .

٣ - لجنة التسليف تحت الاشراف - أ - اللجنة التي تولف من ممثل المصرف ( الخبير المنتخب للتسليف تحت الاشراف في الوقت الحاضر ) وثلاثة اعضاء احدهم عميد القرية كالمسركال أو المختار أو من يرجع اليه افراد القرية في عظيم علاقاتهم الاجتماعية بمقتضى العرف المحلي . واثنيهم مختار القرية . وثالثهم احد افراد القرية البارزين الذين لهم اطلاع واسع على احوال الزارعين . واذا كان العضو الاول ( عميد القرية ) هو المختار فيحل محله في العضوية من يتصف بمثل ما يتصف به العضو الثالث من حيث المكانة والمسئولة الاجتماعية بين افراد القرية . ويشترط في الاعضاء عموما ان يكونوا مقيمين اقامة دائمة في القرية وتكون مدة العضوية سنة واحدة يجوز تعديدها سنة اخرى .

ويتم ترشيح من تتوافر فيهم صفات العضوية المسارة الذكر من قبل السلطة الادارية كالمصرف او القائم مقام كل حسب اختصاصه من حيث تمعية القرية بموجب التقسيمات الادارية .  
ب / اذا شغرت عضوية احد اعضاء اللجنة لاي سبب من الاسباب فيعين محله شخص آخر تتوافر فيه صفات ذلك العضو . ويكمل العضو الجديد مدة عضوية سلفه اعتبارا من تاريخ تعيينه .  
ج / يحرم العضو في اللجنة من حق الاستلاف تحت الاشراف فقط بمقتضى هذه التعليمات .

### المادة الثانية -

على شعبة التسليف تحت الاشراف في المركز العام وفروع المصرف في الالوية التي يقرر تطبيق طريقة التسليف تحت الاشراف فيها شرح هذه الطريقة شفويا لطالبي السلف الذين يخضعون لها شرحا وافيا وافيهاهم بأن تسليفهم يتوقف على قبولهم توصيات المصرف والتزامهم بالتابع <sup>المستحق</sup> الزراعي الذي يقترحه لهم مشله لاستغلال حقولهم الزراعية على وجه يودى الى تحسين الزراعة وتطوير اساليبها وزيادة مسوار الانتاج ورفع مستواهم من الناحيتين الاقتصادية والاجتماعية وذلك بالاشراف على كيفية انفاقهم السلف التي تعطى لهم وادارة مزارعهم وجمع الحاصلات وبيعها وتأمين ايفا دين المصرف وديونهم الاخرى مسان اثمان تلك الحاصلات بصورة تضمن عظيم امورهم في المستقبل . والتأكيد عليهم بأن السلف التي يقررها لهم المصرف تعطى اما دفعة واحدة أو بدفعات متعاقبة حسب حاجاتهم الزراعية في موسم واحد أو موسمين متعددة وفقا لتوصية اللجنة ومقترحات الخبير المنتخب للتسليف تحت الاشراف . فان وافقوا على الاقتراض بهذه الكيفية بعد شرحها لهم مفصلا تؤخذ موافقتهم في استمارة الطلب .



المادة الثالثة - الضمان ومقدار السلفة

- ١ - تكون ضمانات السلف التي تصح بهذه الطريقة (التسليف تحت الاشراف) اموالا منقولة أو غير منقولة على التفصيل المبين في المادة ( ١٠ ) من نظام المصرف رقم ( ٤٠ ) لسنة ١٤٧٠ .
- ٢ - لا يجاوز القرض الذي يعطى للمزارع الصغير الى ( ٥٠٠ ) دينار ولمدة اقصاها خمس سنوات ويصرف القرض اما دفعة واحدة أو بدفعات متعاقبة كما هو موضح في الفقرة ( ٦ ) من المادة الرابعة من هذه التعليمات .
- ٣ - تراعى النسب الطوية المنصوص عليها في القوانين ( أ و ب ) من المادة ( ١٢ ) من نظام المصرف رقم ( ٤٠ ) لسنة ١٤٧٠ من قيمة الضمان في تحديد مقدار ما يسلف الى المزارعين .

المادة الرابعة - اجراءات المعاملة وواجبات اللجنة

- ١ - تكون شعبة التسليف تحت الاشراف في المركز العام مرجعا في عظيم معاملات التسليف الذي يجرى على هذه الطريقة . وتصح في ذلك الاصول المتبعة في الوقت الحاضر في عظيم استمارة طلب السلفة والبيانات التي تتضمنها الاستمارة نفسها . ما عدا استمارة بيانات السلطة الادارية . از تعوب اللجنة من السلطة الادارية في التحقيق من طالب السلفة وسمعه ومدى حاجته للسلفة المطلوبة ومما اذا كان القصد الزراعي متوافرا لديه وهل هو قائم بأدارة اموره الزراعية مباشرة او بواسطة الفلاحين . ومسدى علاقة هؤلاء الفلاحين به من حيث الحقوق والواجبات الخاصة لكل من الطرفين وفق الاتفاق الحاصل بينهما أو التعامل المحلي . وهذه البيانات تدون في استمارة خاصة تعظم لهذا الغرض وتعرف بـ " بالاوراق الاخرى " .
- اما في الاولوية الاخرى التي يقرر تطبيق هذه الطريقة في التسليف فيها فان فروع المصرف في كل منها تكون مرجع تنظيم اوراق المعاملة على الوجه المبين املاء .
- ٢ - حال اوراق المعاملة بعد تنظيمها الى من يعينه المصرف مثلا عنه ليتولى جمع اعضاء اللجنة المختصة ومأمور الظاهر المحلي في الموعد الذي يعينه لغرض التحقيق من طالب السلفة وفق التفصيل الذي تضمنته الفقرة السابقة . فان ظهر بنتيجة التحقيق ان طالب السلفة بحاجة حقيقية الى السلفة المطلوبة فعلى اللجنة ان تقوم بالكشف على التأمينات وتقدير قيمتها بالاشتراك مع ممثل المصرف ومأمور الظاهر وتدوين نتائج التحقيق والتقدير في الاستمارة الخاصة وتوصيتها بمقدار المبلغ الذي تقترح تسليفه الى طالب السلفة لاغراضه الزراعية الآتية والمستقبلية .
- ولتقليل شكلية المعاملة بقصد التيسر على طالب السلفة يقوم مأمور الظاهر بعد اجراء الكشف والتقدير مباشرة بتدوين اجاباته عن الاسئلة الواردة في الاستمارة فيما يتعلق بوضع التأمينات ومما اذا كانت عليها موانع تصرفه تحول دون تأمينها لدى المصرف .
- ٣ - تستوفى من طالب السلفة مقدما اجرة مقطوعة قدرها ( ٢ / - ) ديناران لتوزيعها على اعضاء اللجنة ومأمور الظاهر بالتساوي عدا ممثل المصرف ( سوا كان مراقب التسليف أو الخبير المنتدب للتسليف تحت الاشراف ) على انه لا يحق لطالب السلفة استرداد هذه الاجرة اوصت اللجنة بأعطائه السلفة كلا او جزا اولم توص كما انه يكون ملزما بتهيئة واسطة نقل الاعضاء الى موقع تأميناته ذاتها وايامها كما هو المعتب فـسـى المعاملات الاخرى .
- ٤ - اذا كملت اجراءات المعاملة على النحو المبين املاء . تودع الى المركز العام لمخصص وتدقق من قبيل شعبة التسليف تحت الاشراف وتقدمها الى المدير العام مع خلاصة وافية عنها تتضمن نوع التأمينات وطبيعتها ترحبها وطريقة اوائها وقابليتها للزراعة حسب العواسم ومقدار القيمة المقدرة لها والالتفة والافراض الزراعية التي عرفت منها اللجنة والمبلغ الذي اوصت بتسليفه حسب اهمية هذه الافراض . وسيرة طالب السلفة في التعامل



مع المصرف ان كان مستظفا سابقا . ومقترحات الشعبة حول المعاملة من جميع نواحيها .  
 ٥ - لا تصرف السلفة المقررة لطالبيها الا بعد تنظيم سند القرض والاشعارات المختصة ووضع اشارة الحجز على التأمينات في دائرة الظاهر ان كانت من الاموال غير المنقولة ، أو الصديق على سند القرض لدى الكاتب العدل ان كانت التأمينات من الاموال المنقولة .

٦ - تصرف السلفة المقررة الى طالبيها كاملة اذا كانت معادلة للمبلغ الموصى به من قبل اللجنة او قل منه اما اذا كانت اكثر منه فتصرف على الوجه الآتي :-

أ / يصرف المبلغ الموصى به من قبل اللجنة فقط وما يبقى من السلفة المقررة يقيّد للمستظف في حساب خاص في الذمم والمطلوبات يدعى ( مطلوبات المستظفين تحت الاشراف ) لمدة ستة اشهر وستوفى الفائدة من المبلغ المدفوع الموصى به لمدة ستة اشهر .

ب / يحق للمستظف سحب المبلغ المقيّد له في حساب مطلوبات المستظفين تحت الاشراف دفعة واحدة او بدفعات متعاقبة خلال الستة اشهر المارة الذكر ، على ان يقدم طلبا بذلك يبين فيه حاجته بالتفصيل ، وأن تأييد حاجته من قبل الخبير المنتدب للتسليف تحت الاشراف بعد كشف وتحقيق محلي يقوم به لهذا الغرض ، وستوفى الفائدة من كل مبلغ يعطى له من الحساب المذكور بهذه الطريقة للمدة الباقية من الاشهر الستة المارة الذكر وذلك اعتبارا من تاريخ الصرف .

ج / يحدد مبلغ القرض بمجموع المبالغ المدفوعة الى المستظف من اصل السلفة المقررة له خلال المدة المذكورة وهي ستة اشهر وفقا للقررتين ( أ و ب ) اعلاه ، وحينئذ تستوفى منه الفائدة من مبلغ القرض لمدة ستة اشهر اخرى انصافا لفائدة القرض عن السنة الاولى من مدته ، ويسقط حق المستظف في سحب ما قد يبقى له في الحساب الاّ تف الذكر بعد انقضاء المدة المذكورة ، وحينئذ يقيّد العقبى له ايرادا لحساب القروض .

#### المادة الخامسة - تحسين الزراعة وتطوير اساليبها

ان اهم ما تستهدفه طريقة التسليف تحت الاشراف العمل على ضمان ترويج الزراعة في الحقول الزراعية وتطوير اساليبها باستعمال الطرق الحديثة كالاتي الزراعية والاسمدة الكيماوية ورفع مستوى المستظفين من الناحيتين الاقتصادية والاجتماعية . ولتحقيق هذا الهدف يحق للمصرف الاشراف على كيفية انفساقهم السلف التي تعطى لهم وادارة مزارعهم وجمع الحاصلات وبيعها وتأمين ايضا دين المصرف وديونهم الاخرى من ائتمان تلك الحاصلات بصورة تضمن تنظيم امورهم في المستقبل ، وفي الوقت نفسه لا يتروك المصرف في ارشاد المستظفين من المزارعين الى شراء الانواع الجيدة من مختلف البذور والاسمدة الكيماوية والالات الزراعية الحديثة لاستعمالها في حقولهم الزراعية وارشادهم بقدر المستطاع الى كيفية هذا الاستعمال وفي مثل هذه الحالات تدفع ائتمان المواد التي يوفى المستظف في اقتنائها من مبالغ السلف المقررة .

#### المادة السادسة

تراض احكام قانون المصرف الزراعي والانظمة الصادرة بموجبه في الخصوصيات التي لم تتطرق اليها هذه التعليمات اولم تشرح فيها بالتفصيل .

مستظف  
 ٩٥٤  
 ٤/٤٤



Files

Henry Wiens

March 8, 1954

Conrad H. Hammar

Agricultural Credit Survey

CH called Haidari on the Credit Survey. DH raised the question of whether there would be conflict between the man that might be asked for such a survey and the Supervised Farm Credit specialist. CH said the two would complement one another — the one to inaugurate supervised lending and the other to explore how to make the Agricultural Bank more useful to farmers generally. DH agreed. CH then asked DH if he would be willing to put off his resignation from the Board for a period (say until June 30) if we could get a man over here quickly to make the proposed general survey of farm credit. He thought he could.

If you agree, I'll call on the General Manager of the Bank with DH and raise the question of whether they should request a man for a brief 90-day survey.

FILE COPY

Copy - Ag. Credit

CHHammar:rmsb



*Files*

c/o American Embassy, FOA  
Baghdad, Iraq  
March 6, 1954

Mr. William Von Seggern  
Iraq Desk  
Foreign Operations Administration  
Washington 25, D.C.

Dear Von:

Attached is a letter of mine to the prospective specialist for Supervised Farm Credit that I hope you will deliver to him. We need him here as promptly as possible for reasons I have set out in the letter.

Sincerely yours,

Conrad H. Hammar  
Chief, Agriculture Division

Attachment:

As mentioned above.

*Copy by - J. J. Hammar*



Files

c/o American Embassy, FOA  
Baghdad, Iraq  
March 6, 1954

Farm Credit Specialist/Iraq  
Foreign Operations Administration  
Washington 25, D.C.

FILE COPY

Dear Sir:

I am getting to be much concerned about your arrival here in Iraq. My eligibility for home leave begins August 6, and I shall surely leave here shortly thereafter. We will need considerable time together to plan the Supervised Credit Project and get you located in the field and on the job.

The General Manager of the Agricultural Bank of Iraq is new and has almost no conception of the difficulties we shall run up against. He will be of little help and no one on his entire staff has ever had any experience with supervised farm credit so that no matter how cooperative they wish to be (and I am sure they will be most cooperative) their help will amount to little. Also, they have the minds and attitudes of typical bank officials and virtually no understanding of farming nor, I might add, the making of loans to small farmers.

Your work will, therefore, be tough uphill work for the first two years, and I want to help you all I can during the starting weeks.

You will have one and, I hope, two counterparts to train and they too may have little enthusiasm for really getting out and digging. On the other hand, I believe you will find your farmers enthusiastic and really fun to work with, though almost to a man, illiterate and neophytes on farm and credit management.

I am doing all I can to clear away the underbrush for a prompt beginning in the field but can't promise that everything will be ready by the time you arrive. The Bank has very broad powers but it may still prove advisable to have special legislation governing the particular types of loans you will be making. A beginning can certainly be made under the existing law but with special covering legislation the program would be less subject to attack by those who, for one reason or another, are unsympathetic with the program.



You may actually, therefore, have to spend considerable time after your arrival here preparing the bank regulations under which the work will be conducted and may be faced with the necessity for preparing a law to be promulgated by the Minister of Finance.

Will you, therefore, bring with you here —

- (1) U.S. laws and regulations relevant to supervised farm credit.
- (2) Forms, instructions and so on issued by FHA that you regard as pertinent.
- (3) Books and periodicals relevant to the program. I suggest you bring (or have sent) a dozen each of these. Von Seggern will assist you on the purchasing. We will need copies at the Bank, at your field offices, for each trainee and copies for Abu Ghraib Agricultural College and Experiment Station.

Preliminary discussions with the Bank indicate that you will be living in some town not more than 50 miles or so from Baghdad and in the river plains or delta region. Your living conditions will be reasonably, though not frighteningly, primitive. Your work will be chiefly among Arab Moslem farmers. Had I been free to do so, I might have selected a mixed Christian/Moslem village, but, in many respects, it is best to begin in a strictly Moslem area.

We shall, you may be sure, do our level best to welcome and assist you here.

Very truly yours,

Conrad H. Hammar  
Chief, Agriculture Division



UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREIGN AGRICULTURAL SERVICE  
WASHINGTON 25, D. C.

*file  
attached*

JAN 4 1954

AIR MAIL

Mr. Marion E. Olson  
c/o American Embassy  
Baghdad, Iraq

FILE COPY

Dear Mr. Olson:

We have already sent you under separate cover by air pouch copy of Georgia Experiment Station Bulletin 1, May 1952, entitled "Planning Small Abattoirs for Georgia," in response to your letter of December 17. Mr. W. M. Hurst, In Charge, Mechanical Processing of Agricultural Products, USDA, Beltsville, Maryland, advises that this is the best and most recent guide for your needs for the new pork processing plant outside of Baghdad. This is a field in which private industry and the State experiment stations have done practically all of the work. Previously we sent Dr. Hammar, in connection with poultry problems, a copy of Farm Credit Administration, Miscellaneous Report 147, "Plans and Operations of Farm and Small Commercial Poultry Dressing Plants."

We are also sending you Farm Credit Administration Circular C-127, June 1946, "Cooperative Frozen-Food Locker Plants - Organization and Operation."

If Mr. Bradford has any further specific problems, it is suggested that he correspond direct with Mr. Hurst, with copy to FAS as information.

Sincerely yours,

H. G. Bolster, Head,  
Middle East Section

cc: Henry Weins, Baghdad



*Just Draft*

11/1

## The Land Purchase and Distribution

Decree of 1953.

\*\*\*\*\*

Whereas Iraq has great need to make more efficient use of its splendid resources of soil and water so that more food and fiber may be provided for its many people and, whereas, Iraq has many able men seeking farms and homes of their own as well as abundant lands that can be made available to them for purchase and development and, whereas, there is opportunity now to make such lands available under favorable terms and circumstances to those wishing to acquire them, it is hereby decreed that.

### I. Purpose.

FILE COPY

There shall be established a Land Purchase and Distribution Administration and a Land Purchase and Distribution Board charged with responsibility for purchasing lands offered for sale, subdividing them into family sized farms and selling them on favorable terms to able and deserving farmers.

### II. Organization

The Director General of such Land Purchase and Distribution Administration shall be nominated by the Minister of Finance and appointed by Royal Irada. He is charged with administration of all aspects of the Land Purchase and Distribution program with policy guidance from the Land Purchase and Distribution Board of which he shall be a member and chairman. The Board shall have four additional members to include:-

*Copy - 11/1 - 11/1*



- (1) The Director General of Agriculture
- (2) The Chairman of the Agricultural Bank
- (3) The Director General of Public Domain, and
- (4) The President of the Miri Sirf Land Development Committee.

### III. Powers

The Land Purchase and Distribution Administration shall have

Power:-

- (1) To recommend to the Minister of Finance the purchase of lands and water rights pertaining thereto for resale under terms of this decree to deserving farmers and their families.
- (2) To develop such lands after purchase in a manner that will facilitate the division of such lands into farms and its productive use after sale.
- (3) To select the farmers and farm families to whom such lands, after division, shall be sold.
- (4) To determine the rules and regulation governing the sale of such lands.
- (5) To establish a system of supervision to assist purchasers of such lands in their efforts to achieve ownership and to advise them on the selection of crops and methods of cultivation.

### IV. Land Purchase.

The Director General and Board may recommend for purchase any large tract



of developed or undeveloped farm land freely offered for sale that is determined to be suitable, or capable of being made suitable, for division into small farms.

#### V. Farm Units.

The Land for resale shall first be divided into family sized farm units and these shall be broadly defined, as follows:-

- a. In rainfed areas, 150 to 180 donums.
- b. In areas of flow irrigation, 50 to 75 donums.
- c. In southern rice producing areas, 10 to 20 donums.
- d. In areas determined by the Administrator and Board as suitable for intensive fruit, vegetable or special crops production, 20 to 50 donums.

#### VI. Eligibility of Buyers.

Any citizen of Iraq is eligible to purchase lands under the terms of the decree provided, however, that the Director General and Board shall give preference to those:-

- (a) Who are twenty-five years or over of age and heads of families.
- (b) Who have at least 5 years experience at actual farm work and operation.
- (c) Who have worked on or lived in the vicinity of the lands to be purchased.



- (d) Who have accumulated sufficient savings so that they are able to supply all work tools and work stock needed for operating the unit they wish to purchase and are able to pay at least 10 percent of the required purchase price.
- (e) Who indicate their willingness to accept the advice and guidance of the supervisors provided to assist them on their farm operations.

#### VII Supervision.

The Director General and Board shall establish and direct the system of supervision that shall be provide for land purchasers, provided however,

- (a) That at least one supervisor and two assistants shall be provided for each 300 farmer purchasers.
- (b) That a farm developmental and management plan including a system of water management and crop rotation shall be drawn up for each farm.
- (c) That a debt repayment schedule shall be drawn up and accepted by each farm purchaser and operator.

#### VIII

The purpose of this decree is to put family sized farms into the hands of those who wish to live on and develop them and it is, therefore, provided that:

- (a) Only those purchasers who live and work on these farms for a period of 10 years or more may secure final title to them. Provided, however, that in the case of death or serious illness



the Director General shall determine to whom the purchase right shall pass giving due preference to members of the purchaser's family.

- (b) No purchaser may sell or sublet the whole or any part of his farm to any other person without the written consent of the Director General.
- (c) Purchasers and their families must themselves live on and operate the farm and may not hire others to undertake an undue portion of the farm work and operation.

Provided also that the Director General shall require a report each year on the progress of purchasers in becoming efficient farmers and in achieving ownership of their purchased lands. Provided also, that such report shall be presented to the Board and the Minister of Finance.

#### ~~VII~~ **IV**

#### Irrigation - Maintenance and Water Rights.

Each purchaser of irrigated lands under the terms of this decree shall pay to Land Purchase and Distribution Administration each year the sum of not less than 50 fils per year per donum for irrigation maintenance and development and the protection of water rights, Provided also, that the sums so paid shall be used exclusively for irrigation maintenance and development and protection of water rights under the direction of an appropriate supervisor designated by the ~~Administrator~~ *Director General*.



## VIII Finance

There is hereby appropriated for the purposes of implementation of the provision of this decree and assigned to the Land Purchase and Distribution Administration and Board the sum of ID.3,000,000.



*Second Draft -*

**The Land Purchase and Distribution**

**Decree of 1953.**

\*\*\*\*\*

Whereas Iraq has great need to make more efficient use of its splendid resources of soil and water so that more food and fiber may be provided for its many people and, whereas, Iraq has many able men seeking farms and homes of their own as well as abundant lands that can be made available to them for purchase and development and, whereas, there is opportunity now to make such lands available under favorable terms and circumstances to those wishing to acquire them it is hereby decreed that.

**I. Purpose of the Decree.**

There shall be established a Land Purchase and Distribution Board charged with responsibility for purchasing lands offered for sale, subdividing them into family sized farms and selling them on favorable terms to able and deserving fellahin.

**II. Organisation of the Board.**

The Director General of the Board shall be nominated by the Minister of Finance and appointed by the Council of Ministers. *The Board shall be* He is charged with administration of all aspects of the Land Purchase and Distribution program with policy guidance from the Land Purchase and Distribution Board of which



of which he shall be a member and chairman. The Board shall have four additional members to include:-

- (1) The Director General of Agriculture.
- (2) The Director General of the Agricultural Bank.
- (3) The Director General of Public Domains.
- (4) The President of the Miri Sirf Land Development Committee.

### **III. Powers of the Board.**

The ~~Land Purchase and Distribution~~ Board shall have the following powers:-

- (1) To recommend to the Minister of Finance the purchase of lands and water rights pertaining thereto for resale under terms of this decree to deserving farmers and their families.
- (2) To develop such lands after purchase in a manner that will facilitate the division of such lands into farms and its productive use after sale.
- (3) To select the farmers and farm families to whom such lands, after division, shall be sold.
- (4) To determine the rules and regulations governing the purchase and sale of such lands.
- (5) To establish a system of supervision to assist purchasers of such lands in their efforts to achieve ownership and to advise them on the selection of crops and methods of cultivation.



#### IV. Purchase of Land.

The ~~Ministry of Agriculture~~ Board may recommend to the Minister of Finance for purchase, any large tract of developed or undeveloped farm land freely offered for sale that is determined to be suitable, or capable of being made suitable, for division into small farms.

*See page 10.*

#### V. Size of Farm Units.

The land for resale shall first be divided into family sized farm units and these shall be broadly defined, as follows:-

- a. In rainfed areas, 100 to 300 donums.
- b. In areas of flow irrigation, 50 to 100 donums.
- c. In ~~rainfed~~ rice producing areas, 10 to 30 donums.
- d. In areas determined by <sup>the</sup> Board as suitable for intensive fruit, vegetable or special crops production, 10 to 50 donums.

Provided, that the Board may, within the above ranges, make adjustments in the size of farm units to be offered for sale taking account of location and fertility of the land and the means and working capacity of the applicant and his household.

#### VI. Eligibility of Buyers.

Citizens of Iraq who are <sup>heads</sup> ~~members~~ of households with the qualification



listed below shall be eligible to purchase lands under the terms of this decree:-

- (a) The household must contain one or more able-bodied farmers, 20 years of age or over.
- (b) One or more members of such household must have been a fellah working and living <sup>on</sup> ~~near~~ the land to be purchased, provided however, that if the number of applicants from the immediate area is insufficient preference may be given to fellahin with required qualifications living in adjacent areas.
- (c) No household shall be eligible to purchase land if any <sup>member</sup> ~~number~~ of the household owns land elsewhere.
- (d) Householders must agree, prior to purchase, that they will live on the land and cultivate it themselves.
- (e) No more than one farm unit may be sold to members of a single household.

#### VII. Determinations of Sales Value.

1. The Board will determine the price to be paid for each farm unit and such price shall, as far as possible, be based on costs <sup>to total</sup> ~~taking~~ <sup>of the whole</sup> ~~of the following~~ <sup>including</sup> ~~account of the following:-~~

- (a) The actual price paid for the land when purchased.
- (b) Fees, duties, stamps taxes and other charges incident to the purchase and subdivision of the land.



(c) Any developmental costs for improvement of the land prior to its sale.

2. ~~Provided also that~~ the Board may charge a commission of two percent of the sales price of the land as a means of defraying administrative expenses.

3. ~~Provided, also, that~~ the Board shall determine the sales value of individual units by apportioning <sup>total</sup> ~~the~~ costs of purchase <sup>as</sup> ~~and development~~ <sup>as to the unit</sup> taking account of differences in size, fertility and income producing capacity of each separate unit.

#### VIII. Loans and Repayments.

1 At the time of purchase the household shall pay not less than 10 percent of the sales price set by the Board.

2 The <sup>remainder</sup> ~~remainder~~ shall be due and payable in <sup>in a maximum of</sup> 20 equal annual installments under a duly signed and authenticated purchase contract. Provided, however, that when the household has paid 50 percent of the purchase price of the unit, title shall be transferred <sup>with</sup> ~~on~~ Tapu Department ~~records~~ to the head of <sup>the</sup> household who shall give a mortgage lien on the remaining 50 percent of the purchase price to be paid. Such lien shall run until the entire loan has been paid, ~~or for a term of years not longer than 20 years after date of purchase.~~

3 The Board shall charge an interest of 3 percent per year on the unpaid balance of all loans. Provided, however, that the Board may for



sufficient reasons defer payment of any installment of principal but shall charge a 5 percent interest per year on any installment so deferred.

#### IX. Delinquency.

In case of delinquency of payment of interest <sup>or</sup> principal ~~installment~~  
~~the Board shall~~ *sell*  
*sell the unit by auction or*  
~~offer for sale to other eligible purchasers with still~~  
~~under purchase contract or~~  
~~Take step to foreclose units registered in the Tapu Department.~~

#### X. Supervision.

To assist purchasers of the farm units in their farming operations and give them guidance on the repayment of their loans, the Board shall provide supervisors who shall advise ~~with~~ and assist all households, who have purchased farms under terms of this ~~decrees~~, on:-

- (1) The selection of crops and methods of cultivation.
- (2) Care and feeding of livestock.
- (3) Planning and maintenance of irrigation and drainage ditches.
- (4) Use of water for irrigation.

~~(5) Financial planning, to insure that all interest and principal payments are made when due.~~

Provided also that the Board shall require from each such supervisor an annual report on the progress of purchasers in becoming efficient farmers and achieving ownership of their farms.



1. To enable peasants with ancient occupancy rights to buy up the ~~the~~ title of their particular plots.
2. What happens to the plots which are sold by the Board.
3. ~~#~~ Land Tax **FILE COPY**
- 4 - Organization = mini inf
- 5 - One million ?



1. The area to be purchased shall be capable of division into a minimum of 50 units
2. ~~In order to make~~ Before making the purchase the Board shall send inspectors and appraisers and technical experts to the land to report on its productivity, conditions, irrigation facilities, water rights ~~and its use~~ and the estimated cost of its development.
3. The Board shall with the help of expert appraisers ~~shall~~ set a maximum price which ~~is~~ offered for the land.
4. The Board proceed to obtain an option for purchase of the for a suitable period.
5. After securing the option with the Board shall notify the fellahin of the area and ~~request~~ adjacent areas to ~~apply~~ that they may apply ~~for~~ to purchase separate units provided that applicants should satisfy the conditions stated in art — ~~(and that they deposit 10% of the~~ and that they deposit 15 per unit which will be forfeited if they fail to complete their undertaking
6. The Board shall then interview the applicants in order to ~~assess~~ determine ~~the~~ ~~whether~~ how can qualify for purchase
7. If ~~50% of the area~~ the applicants fulfilling the qualifications are sufficient enough to purchase pay for at least 50% of the option price, the Board shall ~~recommend~~ ~~it~~ for the purchase of the area to the Minister of Finance
8. The Minister ~~if he~~ ~~deems the price of the~~ option shall make recommendation as to purchase or not to the Council of Ministers for final decision.



● *Final Draft.* ●

## **The Land Purchase and Distributions**

**Decree of 1953.**

\*\*\*\*\*

FILE COPY

Whereas Iraq has great need to make more efficient use of its splendid resources of soil and water so that more food and fiber may be provided for its many people and, whereas, Iraq has many able men seeking farms and homes of their own as well as abundant lands that can be made available to them for purchase and development and, whereas, there is opportunity now to make such lands available under favorable terms and circumstances to those wishing to acquire them it is hereby decreed that there shall be established a Land Purchase and Distribution Board charged with responsibility for purchasing lands offered for sale, subdividing them into family sized farms and selling them on favorable terms to able and deserving fellahin.

### **Article 1. Definitions,**

For the purpose of this decree the following terms shall have the meaning indicated below:-

- A. The Board: Shall mean the Land Purchase and Distribution Board.
- B. The Director General: Refers to the Director General of the Land Purchase and Distribution Board.
- C. The Units: Segment of land capable of cultivation by members of a single household.



D. Fellah: Cultivators working and living on farm lands.

E. Household: The immediate family of the fellah and others living with him and working under his direction.

**Article 2. Organization of the Board:**

1. The Board shall have exoffice members as follows:-

- (a) The Director General of Agriculture.
- (b) The Director General of the Agricultural Bank.
- (c) The Director General of Public Domains.
- (d) The President of the Miri Sirt Land Development Committee.

2. The Board shall be presided over by a Director General to be nominated by the Minister of Finance and appointed by the Council of Ministers.

3. The headquarters of the Board shall be at Baghdad and it may establish field offices at such locations as its operations require.

4. The Board shall be attached to the Ministry of Finance and its organization and duties shall be set forth in published regulations.

5. The Board shall have, for the payment of its expenses such sums as may be collected under paragraph 2 of Article 7 of this decree together with such sums as the Minister of Finance or the Council of Ministers may from time to time make available to it.

**Article 3. Powers of the Board:**

The Board shall have the following powers:-

- (1) To recommend to the Minister of Finance the purchase of lands and water rights pertaining thereto for resale



under terms of this decree to deserving farmers and their families.

- (2) To develop such lands after purchase in a manner that will facilitate the division of such lands into farms and its productive use after sale.
- (3) To select the farmers and farm families to whom such lands, after <sup>subdivision</sup> division, shall be sold.
- (4) To determine the rules and regulations governing the purchase and sale of such lands.
- (5) To establish a system of supervision to assist purchasers of such lands in their efforts to achieve ownership and to advise them on the selection of crops and methods of cultivation.

#### Article 4. Purchase of Land:

The Board may recommend to the Minister of Finance for purchase, any large tract of developed or undeveloped farm land freely offered for sale that is determined to be suitable, or capable of being made suitable, for division into small farms.

#### Article 5. Size of Farm Units:

The Land for resale shall first be divided into family sized farm units and these shall be broadly defined, as follows:-

- a. In rainfed areas, 100 to 300 donums.
- b. In areas of flow irrigation, 50 to 100 donums.
- c. In rice producing areas, 10 to 30 donums.



- d. In areas determined by the Board as suitable for intensive fruit, vegetable or special crops production, 10 to 50 donums.

Provided, that the Board may, within the above ranges, make adjustments in the size of farm units to be offered for sale taking account of location and fertility of the land and the means and working capacity of the applicant and his household.

Article 6. Eligibility of Buyers.

Citizens of Iraq who are heads of households with the qualifications listed below shall be eligible to purchase lands under the terms of this decree:-

- (a) The household must contain one or more able-bodied farmers, 20 years of age or over.
- (b) One or more members of such household must have been a fellah working and living on the land to be purchased, provided, however, that if the number of applicants from the purchased area is insufficient preference may be given to fellahin with the required qualifications living in adjacent areas.
- (c) No household shall be eligible to purchase land if any member of the household owns land elsewhere.
- (d) Householders must agree, prior to purchase, that they will live on the land and cultivate it themselves.
- (e) No more than one farm unit may be sold to members of a single household.



**Article 7. Determination of Sales Values**

1. The Board will determine the price to be paid for each farm unit and such price shall, as far as possible, be based on the total cost of the whole purchased area including the following:-
  - (a) The actual price paid for the land when purchased.
  - (b) Fees, duties, stamps taxes and other charges incident to the purchase and subdivision of the land.
  - (c) Any developmental costs for improvement of the land prior to its sale.

3. The Board may charge a commission of two percent of the sales price of the land as a means of defraying administrative expenses.

2. The Board shall determine the sales value of individual units by apportioning the total cost of purchased area to the units taking into account the differences in size, fertility and income producing capacity of each separate unit.

**Article 8. Loans and Repayments**

1. At the time of purchase the household shall pay not less than 10 percent of the sales price set by the Board.
2. The remainder shall be due and payable in a maximum of 20 equal annual instalments under a duly signed and authenticated purchase contract. Provided, however, that when the household has paid 50 percent of the purchase price of the unit, title shall be transferred in the Tapu Department to the head of the household who shall give a mortgage lien on the remaining 50 percent of the purchase price to be paid.



Such lien shall run until the entire loan has been paid.

3. The Board shall charge an interest of 3 percent per year on the unpaid balance of all loans. Provided, however, that the Board may for sufficient reasons defer payment of any installment of principal but shall charge a 5 percent interest per year on any installment so deferred.

**Article 9. Delinquency:**

In case of delinquency of payment of interest or principal the Board shall sell the unit by auction or take step to foreclose units registered in the Tapu Department.

**Article 10. Supervision:**

To assist purchasers of the farm units in their farming operations and give them guidance on the repayment of their loans, the Board shall provide supervisors who shall advise and assist all households, who have purchased farms under terms of this decree on:-

- (1) The selection of crops and methods of cultivation.
- (2) Care and feeding of livestock.
- (3) Planning and maintenance of irrigation and drainage ditches.
- (4) Use of water for irrigation.

**Article 11. <sup>Purchase</sup> Safeguards:**

1. Areas to be purchased by the Board for division shall be sufficiently large to be divisible into not less than 50 separate farm units, provided, however, that much smaller tracts of land may be purchased



if adjacent to a larger unit that has already been purchased by the Board.

2. Before purchasing any tract of land for use under this decree the Board shall have the property under consideration inspected and a full report prepared by appraisers and technical experts on the following matters:-
  - a. Abstract of ownership and validity of title.
  - b. Nature of Water rights and adequacy of irrigation water supplies.
  - c. Condition of irrigation system, buildings, roads and other improvements.
  - d. Estimated cost of developments necessary before division into farm units.
3. The Board shall, with the help of appraisers, set the maximum price that will be offered for the land and will, with the approval of the Minister of Finance and Council of Ministers, proceed to obtain an option on the property for a suitable period of time.
4. After securing such option the Board will notify the fellahin of the area and immediately adjacent areas that they may submit applications to purchase farm units in the area.
5. The Board shall, before accepting an application, determine that the fellah and his household do actually qualify to purchase under conditions set forth in Article 6 above. Provided, further that the Board shall, as an evidence of good faith on the part of the fellahin, require



a deposit of ID,5,000 from each qualified applicant. Provided also, that such deposit shall be forfeit if the applicant fails to complete his undertaking.

6. If and when the Board has satisfied itself that there are enough qualified applicants ready to buy 50 percent or more of an area for which applications have been received, it shall present a request to purchase the area to the Minister of Finance. The Minister shall, thereafter, request a final <sup>approval for</sup> ~~decision~~ on the purchase <sup>from</sup> ~~by~~ the Council of Ministers.

**Article 12. Disposal of Unsold Farm Units:**

If, after 18 months from date of final purchase of an area under terms of this Decree, the Board shall find that it still has unsold units, it may dispose of such units to the highest bidder at an auction held for the purpose.

**Article 13. Regulations:**

The Minister of Finance may issue regulations necessary to facilitate the Administration of this decree.

**Article 14. Enactment:**

This decree shall come into force as of the date it is ordered published in the official gazette.

\*\*\*\*\*



Mr 11/5

Wte kg  
Land Tax

V.W.J.  
10/27/53.

NOTES ON LAND TAX FOR IRAQ

Most of the time during the evening meeting of October 26 was spent in a discussion of a proposed Decree for the purchase of private land and its redistribution. A number of suggestions were offered for its improvement. Part of the time, however, was devoted to a consideration of land tax for Iraq. In carrying out the proposed tax, Dr. Saleh Hadari felt that the task of land assessment might well be simplified by making a productivity classification by types of land use. For each major class of land and any designated sub-classes there would be established average crop yields for the one or more crop grown on the land. It was further proposed that the rate of levy on crop yields be 10 percent of the average yields adjusted for certain costs of production. It was recognized that the land classes established and the mechanism of collecting the tax revenue must be relatively simple in order for the classification to be usable.

At the present time land is not taxed nor are the water rights and associated properties in connection with the distribution of water by flow or pump irrigation. There is, however, the istihlak tax on domestic marketing of agricultural products. It was also brought out that land values in themselves are very low, while the irrigation facilities account for the major investment in land.

With this brief statement we turn to a consideration of a land classification, as was requested by Dr. Hadari, that might become a basis for the proposed land tax.

Dr. Hg - Ag. Sect.



## Land Classification by Crop Yields

Land classification is the grouping together of tracts of land with similar characteristics. No one type of land classification can serve all purposes. We are here concerned with the determination of land classes for the purpose of designating areas with similar income yielding capacity. To make an adequate land tax classification for this purpose one must be familiar with the physical characteristics of the land, available water, and present and potential land uses and costs associated with these uses. Consequently, the suggestions that follow must be in the nature of principles or basic information that is thought desirable for making a simple land tax classification.

It is suggested that agricultural lands be divided into three classes: rain fed, pump irrigated, and flow irrigated. Other major classes may need to be established. And that each major class be divided into three sub-classes, as follows:

### RAIN FED AREAS

Land classes designed in terms of average yields	Production of land in use (crop his- tory) (1)	Potential Production of land not in agricultural use. (Based on) (2)
I	Very good to good	1. Rainfall - 14-18 inches (3) 2. Relatively level 3. Quality and Structure of soil 4. Indexes of former use 5. Yields on adjacent similar tracts
II	Medium or Average	1. Rainfall 13-9 inches 2. Rolling 3. Quality 4. Indexes of former use 5. Yields on adjacent similar tracts
III	Fair to Poor	1. Rainfall 8-5 inches 2. Slightly broken or undulating 3. Quality and Structure of soil 4. Index of former use 5. Yields on adjacent similar tracts.



- (1) A "good" yield or any other type of designated yield class would need to be defined, and in the classification of under-used land yields should be adjusted to possible potential yields.
- (2) Very likely in measuring potential production the quality of the soil and the amount of the rainfall will be the most significant factors for consideration.
- (3) Designated amounts merely suggestive.

Query: If it is possible to get the above type of information to set up broad land classes by crop yields, then why is it deemed not possible to attach average yields to each farm and proceed with a direct tax assessment? The assessed values would need to be only relatively accurate in order for taxes levied to be equitable. It was pointed out that the direct assessment of land where there is no established land market, would be most difficult and that a classification would avoid this difficulty, and provide a means of appraising potential productivity of land under-used or not in use.

PUMP IRRIGATED LANDS

Land Classes (1) Designed in terms of average yields	Production of land in use (crop History)	Potential Production of Land not in Agricultural use.
I	very good to good	1. Quality and structure of soils 2. Slope 3. Available water supply and cost of use. 4. Yields on similar adjacent tracts
II	Medium or Average	
III	Fair to Poor	



- (1) For these classes, range of yields would need be established, and obviously, the relationship of yields between classes would not be comparable with similar classes in rain fed areas. This is not necessary, however, in that the levy is to be a percentage of crop yields converted to ~~monetary~~<sup>terms</sup> ~~units~~. An average level or index of prices would need to be set up to make the conversion.

Special consideration would need to be given to lands used for the commercial production of fruits and vegetables.

#### FLOW IRRIGATION LANDS

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Land classes designed in terms of average yields	Production of Land in Use (Crop History)	Potential Production of Land not in Crop use
---	---	---

---

etc. - same break-down as for pump irrigated lands

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#### Deduction of costs of production

The equitableness of a land tax depends upon the taxes against the income from the land. In other words, it is desirable to deduct costs of production from gross income. This is not a simple task. In determining costs, it would be necessary to use a uniform rate of "determined Cost" by each major land use and their sub-classes. These costs would need to be more or less arbitrary but reasonable. Otherwise, the task would be operationally impractical.

It should be possible to determine by the land classes relative costs of production to landlords and adjusting yields accordingly. In fact this may well be taken ~~care~~ of as one of the steps in making a yield or income classification of the land.



It is recognized that landlords may shift the land tax to tenants by raising rentals or by indirect methods. The possibilities of shifting a land tax to the tenant is very real in the absence of alternative opportunities for the tenant and his very limited, if any, bargaining power. This is a subject that involves landlord tenant relationships, and although of paramount importance is not, however, of immediately concern to the problem at hand.

It is understood that those that own the land also generally own the irrigation facilities so that a tax on the owner of the land would at the same time be a tax levy on irrigation facilities. However, where rights in land and rights in water are held by separate individuals the problem of equitably distributing the burden of a land tax became more complex. If the bargaining process were relatively free, the land owner would shift the tax costs to owner of the water rights and his relative share would then lower. But, if the landowner has little or no bargaining power this would not take place. However, the only practical way of collecting the land tax would appear to place it on the owner of the land and protect the small owner through tax exemption. The large landowners should be in a position to protect themselves. For the purposes of taxation a landowner might be defined as anything having transferable rights in land or the exclusive use of land not under some leasehold system.

#### Exemption from Land Tax

If one of the purposes of the land tax is to encourage the ownership of family farms by those that operate the land, then there is good justification for exempting a certain number of donums from the tax. All owner operated farms under a prescribed size could be exempt from the



tax and for similar holdings within ownership classes above this size a like reduction may be allowed, but with no exemptions permitted on large holdings. The amount of the exemption would need to be determined in the light of existing facts.

The exemption of a certain number of donums to landowners has the advantage over an exemption of a certain specific quality of farm produce in that there is an added inducement to increase production as any increase in production within a prescribed size is not taxed.

#### Tax Delinquency

In case taxes are delinquent for a reasonable length of time, say 3 years, the period of redemption should expire. Procedures should be established for the sale or disposal of the land, subject, of course, to certain rights of the former owner and any continuing rights that the government may have against him.

It is a sound principle to exercise tax delinquency proceedings. Before taking such steps, however, it is important in the interest of justice that the taxes be fairly equitably levied against the land.

In this brief statement no reference has intentional been made to the detail mechanics of tax assessment and collection.



UNITED STATES DEPARTMENT OF AGRICULTURE  
FOREIGN AGRICULTURAL SERVICE  
WASHINGTON 25, D. C.

~~1. Back~~  
2. ~~Robinson~~  
3. ~~File~~  
Agri Credit.

AIR MAIL

- OCT 23 1953

Dr. Conrad Hammar  
c/o American Embassy  
Baghdad, Iraq

FILE COPY

Dear Dr. Hammar:

A number of persons in FAS have read with much interest this most recent of Mr. Robinson's reports and feel that he is getting down to the grass roots in appraising and planning land resettlement patterns in Iraq. One feels that he has lived very close to the rural problems and people in preparing this study. The report is being sent to staffs of the Bureau of Agricultural Economics and Farm Credit Administration for review and comment, since they made comments and expressed real interest in seeing previous reports from Mr. Robinson.

Attached is copy of memorandum of October 16 from Dr. Henry Hopp of the Washington staff of FAS commenting upon Mr. Robinson's report. We reiterate that the purpose of review and comment of the field reports by USDA technicians is to receive constructive help for the field staff. We hope that the field staff fully understands this approach and will continue to write direct to technicians in USDA and the States on their technical problems, sending copy to this Division for our information.

We also hope that the Iraqi technicians will be encouraged to develop direct technical relationships not only with U.S. technicians but with those of other countries as well.

Very truly yours,

*H. G. Bolster*

H. G. Bolster  
Head, Middle East and  
Eastern Europe Division

Enclosure

Copy - Ag - Ag Credit



السفارة الأميركية

النقطة الرابعة بعدد

نفي اليك طبعاً الكتاب المديح اليك والرسالة  
التي سبقت من قبلكم للاضطلاع به

لديكم

شرف  
الادارة والموظف

American Embassy.

Point IV

We are sending you back  
the attached letter, sent  
by us, to keep in your  
Chron. file. <sup>signed</sup> agricultural Bank



# TRANSLATION

92.11  
Agricultural Bank of Iraq  
Baghdad  
(Personnel Administration)

F  
Feb. 26. 1953  
Sup. Fin. Cud  
Tel. Address: The Bank  
Telephone No. 84191-84193

No. 22731  
Date: Nov. 18, 1953

American Embassy  
TCA, Iraq

In continuation of our letter No. 8968 dated May 13, 1953 and in reference to your letter No. 181 dated Sept. 21, 1953. **FILE COPY**

I offered your memorandum to the Agricultural Bank of Iraq. That memorandum which contains the essential rules (regulations) and conditions concerning the agreement which is suggested for a contract between Iraq Government and TCA in Baghdad. The contract concerns the project of the agricultural lending under the supervision according to its last form. The Council welcomed this project and decided it, then introduced the decision to the Ministry of Finance and the Ministry approved it and now it is possible to make it operative. We ask you kindly to inform us about the next step that we should follow so as to bring the project into existence and thank you.

*Project by my credit*

Signed by Akram Zainal,  
Director General  
and President of the  
Administrative Council.

Trans 1-147-P 1/13



العدد ٢١ ٢٢٧

التاريخ ١٨ / ١١ / ١٩٥٣

السفارة الاميريكية

ادارة التعاون الفني الاميريكية في العراق

الحاقا بكتابتنا المرقم ٨٩٦٨ والموسم في ١٣ / ٥ / ١٩٥٣ وشارة الى كتابكم المرقم ١٨١ والموسم في ٢١ / ٩ / ١٩٥٣ .

لقد عرضت على مجلس ادارة المصرف الزراعي العراقي المذكرة الضافية التي عوى القواعد والشروط الاساسية للاتفاقية المقترحة عقدها بين الحكومة العراقية وادارة التعاون الفني الاميريكية ببغداد والمختصة بمشروع التسليف الزراعي تحت الاشراف بشكلها الاخير وقد رحب المجلس بهذا المشروع واقره ثم عرض القوار على وزارة المالية وصادقته وبذلك اصبح في الامكان العمل على تنفيذه - لذا نرجوا اعلامنا عن الخطوة التالية التي يجب ان نتبعها لاجراء المشروع الى حيز الوجود ونشكركم .

اكرم زينل  
المدير العام  
ورئيس مجلس الادارة



Baghdad, Iraq

Oct. 22, 1953.

## FILE COPY

### Suggestions on the Land Purchase and Distribution Decree of 1953.

#### Article 1, Definitions: E. "Household"

It appears that the use of a term as inclusive as a "household" in Iraq in lieu of the word "farmer" may have the effect of deliberately authorizing and in fact suggesting the occupancy of the "family sized unit" by several families, depending upon what the term "household" is understood to mean in Iraq. On the Dajaila Project where the size of the farm unit was made too large, assistant farmers or tenants of the selected farmer are found living in much the same economic and subservient condition status as when they were tenants or sharecroppers of the Shieks.

#### Article 5, "Size of Farm Units" a. "In rainfall areas, 100 to 300 donums"

The Cadastral Engineer of the Resettlement Division of F.O.A. suggests the advisability of setting a ceiling of 400 donums in lieu of 300 donums since in his experience in survey work preliminary to subdivision of tracts of land into farm units, it is most practical to establish monuments or permanent corners for areas 2 kilometers square. Subdividing into farm units can then be done by non-technical personnel by merely plowing straight furrows across these areas. 300 donums is not an aliquot part of 1600 square donums which is the area of the "survey unit" found most practical in plans table and contour surveying necessary in making soil classification and irrigation and drainage maps.

Since there is elasticity in deciding upon the size of the farm unit between the "floor" and the "ceiling", this does not seem to be a handicap in establishing a suitable sized farm unit.

#### Article 6, "Eligibility of Buyers", (a) "The household must contain in one or more able-bodied farmers, 20 years of age or over".

The word "family" is suggested as more appropriate for purposes believed to be under consideration, i.e., land reform and tenure improvement, than the word "household", as pointed out above.

Perhaps a physical examination should be required of the applicant in order to determine the matter of being "able-bodied". A man who is chronically ill is not a good credit risk.

#### Article 8, "Loans and Repayment". 1. "At the time of purchase the "household" shall pay not less than 10 percent of the sales price set by the Board".



This requirement may in itself eliminate many of the more worthy fellahin. A large number of the tenants coming to the Miri Sirf Projects are absolutely destitute and many are in debt. It is possible that a great many will not have and will not be able to borrow enough money for this down payment. In the United States with a higher economic level of applicants, no down payment is required. If necessary the money needed to pay for recording the deed is made a part of the loan.

#### Article 8, "Loans and Repayments".

"The remainder shall be due and payable in a maximum of 20 equal annual installments" ..... It is not wise to provide for acceptance of payment in "advance of schedule". Also perhaps it should be provided that the payments fall due at the end of the "normal" harvest season for the chief commodity sold.

#### Article 9, "Delinquency".

Instead of selling "delinquent units" at auction, would it not be more in line with the intent of the program to sell such units to another "selected" farmers, who would contract to assume all amounts due or take over the units on the value indicated in the original appraisal whichever was to the interest of the Government.

#### Article 11, "Safeguards".

If suitable land is offered for sale with necessary water-rights, is it desirable to decline the purchase of small tracts? Often such tracts might require less development cost per farm than the development cost of large tracts. This policy might also greatly restrict the geography or scope of the program and actually preclude its operation in the sections of Iraq where small and medium sized operations now prevail. Reference to the new Agricultural Census will show approximately how this provision might affect the program.

#### Article 11, "Safeguards".

As an item under this section it might be appropriate to provide for disposal of a farm unit of a borrower who dies before title is passed to him. If the laws of Iraq permit, upon re-examination of the content of the deceased farmers family for the purpose of discovering manpower needed in the operation of the farm, the contract might be assumed by the widow. If this is not legal the unit could be taken over by a son who is of legal age. Otherwise it could be sold to another "selected farmer".

#### Article 11, "Safeguards".

Because of the adverse experience of the Mediterranean Countries



Of the Near East in suffering agricultural from "over-parcellation" or "fragmentation" of land, it is suggested that a provision be incorporated into the decree that will prohibit the subdivision of the "family sized farm unit" in the event of death of the purchaser. A system of primogeniture is suggested. Otherwise if population increases crowd the land, as in the countries referred to, severe economic problems will arise that are more difficult to solve than establishing a sound policy of government at this time.

F. H. Robinsen

**Note:**

With regard to the "ceiling" and "floor" on size of farm units in the "rainfed areas", if the limits are established at 100 to 400 donums for cultivable land with supplemental areas to make a family sized unit in a crop-livestock combination, using whatever areas of grazing "and as are required, the disposition of land classified as unsuited for crop use can be practically cared for. Without this provision in the Miri Sirf Land Settlement Law, the grazing areas must be continued as Public Domain Land with the problems of troublesome administration coming up. In nearly all large tracts of land acquired there will be sizable areas that are suitable only for grazing and the limits of 100 to 400 donums are too narrow for a grazing economy.

The use of the term "family sized farms" and the use of the term "Household" in "E." under definition is confusing. These terms appear to possibly be conflicting and in fact contradictory as "others living with him and working under his direction" could easily be another family or other families.

Those most familiar with relationships of agricultural land and agricultural population in the Near East take the position that Iraq has sufficient areas of suitable land for agricultural use to adequately care for it's rural people. Only development as is now in progress in the country is necessary to correct the adjustment between agricultural population and agricultural land. It is believed that land reform and tenure improvement programs should be initiated with the knowledge that these relationships prevail and thus avoid congestion of people and low standards of living in the areas of "land reform" programs. It is possible that failure to recognize the present land-population ratios and without reflecting fully on the long-time and ultimate effects of the proposal



Decree may result in perpetuating conditions that it is intended to correct.

There is yet another facet to this problem. The Miri Sif Law legalizes one assistant farmer on each farm unit. Observation of conditions which have resulted on the Dujaila Project where this has been permitted has convinced all, who look fairly at the conditions now prevailing, that the farm units should be family sized and only one family permitted to live on each farm unit. Adopting a different program in the Land Purchase and Distribution Program will be evidence of failure to profit from experience already gained in Iraq in the first effort at land and tenure improvement. It may also have an effect of wrong influence on the policies of the Miri Sif program which seem to be shaping up properly in the direction of permitting but one family on each farm. This is being achieved principally through fitting the size of the farms to the farm operations that can be carried out by the members of one family.



## Office Memorandum

UNITED STATES GOVERNMENT

TO : Lewis H. Rohrbaugh  
Frank Robinson

DATE: October 14, 1953

FROM : Conrad H. Hammar

SUBJECT: Agricultural Bank

FILE COPY

Note on attached Cabinet Order the committee designations. Akram Zainal called and wanted an immediate meeting of the committee. The meeting is scheduled for 10 AM, Saturday morning, October 17.

Attachment

Received  
10/21/53

- 2 -

Pres - Ag - Ag Credit



Ministry of Finance,  
Directorate of Budget and Financial Affairs,  
Baghdad.

No. 15712  
Date: Oct.10,1953.

Cabinet Order Number (304)

We decided to form a committee consisting of the undermentioned persons, for the purpose of studying the possibilities of the Iraqi agricultural bank, to buy the flowded land and sell it to the landless farmers and fellahin. Their pay will be by instalments within a long period of time. The ministry will offer the needed recommendations concerning that. The ministry will look over the law of the supplementary program concerning the establishment of the agricultural bank, No.18 for the year 1940, and to offer the needed recommendations in that concern. Our request is to accomplish that as soon as possible.

Sayid Akram Zainal

Director General of the Agric. Bank.

Dr. Saleh Haider

D.G. of General Income.

Mr. Lewis Rohrbaugh

Mr. C.H. Hammar

Mr. Frank Robinson

**FILE COPY**

The meeting will be held in the Agricultural Bank

cc: Iraqi Agricultural Bank  
cc: Directorate General of general income  
cc: Dr. Lewis Rohrbaugh & (the above mentioned persons)

~~Mr. C.H. Hammar~~  
Mr. Frank Robinson.

signed.... Minister of Finance



١٥٧١٢

العدد /  
التاريخ ١٠ تشرين الاول ١٩٥٢

وزارة المالية  
مديرية الميزانية والامور المالية  
بغداد

أمر وزاري رقم ( ٢٠٩ )

قررنا تأليف لجنة من الذوات المالية اسماؤهم للدراسة ووضع  
تسكين المصرف الزراعي العراقي من شراء الاراضي السهوية وبها لفسار  
المزارعين والفلاحين باقساط على آجال طويلة المدى وتقديم  
التوصيات التي نراها بشأن ذلك وكذا النظر في لائحة قانون ذيل قانون  
تأسيس مصرف زراعي رقم / ١٨ لسنة ١٩٤٠ وتقديم التوصيات اللازمة حولها  
مع الرجاء انعام ذلك بما يمكن من السرعة .

مدير المصرف الزراعي العراقي المصام  
مدير الواردات المصام

Mr. Lewis Rohrbach

Mr. C.H. Hammer.

Mr. Frank Robinson.

السيد اكرم زينل

الدكتور صالح حمدر

المستر لويد روبرت

المستر سي . ا . ح . هاجر

المستر فرانك روبنسون  
كبير المراجعة في المصرف الزراعي .

وزير المالية

نسخة منه الى -

المصرف الزراعي العراقي

مديرية الواردات العامة

المشار اليه الم . ا . ح . هاجر

سلطان / ٨



Ministry of Finance,  
Directorate of Budget and Financial Affairs,  
Baghdad.

Cabinet Order Number (304)

2) ~~LR~~  
1) ~~CHH~~  
3) F. Robinson.  
No. 15712  
Date: Oct. 10, 1953.

*John E. Robinson (Credit)*

We decided to form a committee consisting of the undermentioned persons, for the purpose of studying the possibilities of the Iraqi agricultural bank, to buy the flowded land and sell it to the landless farmers and fellahin. Their pay will be by instalments within a long period of time. The ministry will offer the needed recommendations concerning that. The ministry will look over the law of the supplementary program concerning the establishment of the agricultural bank, No. 18 for the year 1940, and to offer the needed recommendations in that concern. Our request is to accomplish that as soon as possible.

Sayid Akram Zainal

Director General of the Agric. Bank.

Dr. Saleh Haider

D.G. of General Income.

Mr. Lewis Rohrbaugh

Mr. C.H. Hammar

Mr. Frank Robinson

The meeting will be held in the Agricultural Bank

cc: Iraqi Agricultural Bank

cc: Directorate General of general income

cc: Dr. Lewis Rohrbaugh & (the above mentioned persons)

Mr. C.H. Hammar

Mr. Frank Robinson.

signed.... Minister of Finance

*Prof. Hg - Ag. Credit*



١٥٧١٢  
العدد /  
التاريخ ٢٠ تشرين الاول ١٩٥٣

وزارة المالية  
مديرية الميزانية والامور المالية  
بغداد

أمر وزاري رقم ٢٠٢

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قررنا تأليف لجنة من الذوات التالية اسماؤهم لدراستها موضوع  
تمكين المصرف الزراعي العراقي من شراء الاراضي السهوية وبها لصفار  
المزارعين والفلاحين باقساط على آجال طويلة المدى وتقديم  
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مدير المصرف الزراعي العراقي العام  
مدير الواردات العام

السيد اكرم زهنيل  
الدكتور صالح حيدر  
المستر لويس رويلاو

Mr. Lewis Rohrbaugh  
Mr. C.H. Hammer.  
Mr. Frank Robinson.

المستر سي . اج . هامر  
المستر فرانك روبنسون  
بسمه يرفق في المصنف الزراعي .

وزير المالية

نسخة منه الى -

المصرف الزراعي العراقي  
مديرية الواردات العامة  
المشار اليه

المستشار العام



The  
Agricultural Bank of 'Iraq Baghdad

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FILE COPY

Law, Regulation, Fundamental Statute and Internal  
Regulations of the Agricultural Bank of Iraq.

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Printed at the Government Press,  
Baghdad—1949.







# **Law for the Creation of an Agricultural Bank**

## **No. 18 of 1940**

---

With the approval of the Senate and the Chamber of Deputies, do hereby order the enactment of the following Law:—

Article 1.—The Government may create an Agricultural Bank, to be called “The Agricultural Bank”, whose Head Office shall be in Baghdad, and for which branches may be opened with the approval of the Minister of Finance.

Article 2.—The object of the Bank shall be to assist agriculturists and to develop and improve agriculture. The Bank shall undertake more particularly the following operations:—

- (1) To make advances to meet the expenses of cultivation and harvesting.
- (2) To make loans for the purchase of agricultural implements or cattle.
- (3) To make loans for the improvement or reclamation of land, upon the recommendation of the competent departments.
- (4) To make advances against crops.
- (5) To sell on deferred payment agricultural implements, cattle, manure and seeds.
- (6) To act as agents for the sale of agricultural produce.
- (7) To found and administer establishments for the cleaning and grading of crops, subject to the provisions of the Grain Trade Regulating Board Law No. 32 of 1939.







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- (6) To act as agents for the sale of agricultural produce.
- (7) To found and administer establishments for the cleaning and grading of crops, subject to the provisions of the Grain Trade Regulating Board Law No. 32 of 1939.



- (8) To make advances for tree-planting or for the improvement of fruit trees and to sell seedlings and cuttings for the above purposes, upon the recommendation of the competent departments.
- (9) To hire out agricultural implements.
- (10) On the demand of the Government and subject to her guaranteeing the amount of the advance and interest thereon, to make advances for agricultural purposes in the following cases:—
  - (a) Settling tribal folk on agricultural lands and ensuring necessary cultivation by them.
  - (b) Rendering assistance to distressed cultivators whose district has suffered a calamity resulting in the destruction of all or most of their crops.
- (11) To act as agents for the purchase of agricultural produce against commission.
- (12) To make advances for the purpose of releasing agricultural lands and gardens from a prior mortgage.
- (13) To assist in the formation of cooperative societies and companies for producing cultivators and to make advances to them.
- (14) To act as intermediary in the making of advances to cultivators from the funds of the Grain Board.
- (15) To undertake agricultural enterprises on its own account directly or by the formation of subsidiary companies for the said purpose or by holding shares in such companies, as the interests of the Bank may require.



- (16) To accept deposits, securities and current accounts for a definite or indefinite period, with or without interest.

Article 3.—The creation of the Bank may take place by either of the following methods:—

- (1) By setting up a Board of Directors to be regarded as a juristic person and which shall be financially and administratively independent subject to the provisions of this Law, to which the Government may make advances not exceeding 500,000 Dinars. The Bank so established may form a limited liability company as provided in paragraph 2 of this Article, and in such case the amounts advanced by the Government and the possessions of the Bank shall be deemed to be shares held by the Government.
- (2) By incorporating a limited liability company to which the Government shall be entitled to subscribe up to such proportion of the capital as the Council of Ministers may determine.

Article 4.—If the Board is set up under Article 3 (1), the deed creating it and its internal regulations shall be submitted to Government for approval.

Article 5.—If the Bank is founded as a limited liability company, the Memorandum of Association and the Articles must be approved by the Government and provision shall be made more particularly in the Memorandum of Association for the following:—

- (i) The Government shall be represented on the Board of Directors in a proportion not less than its holding in the shares of the company.



- (ii) No decision taken by the Bank shall be contrary to the provisions of this Law; and any change in the Statutes shall be subject to the approval of the Government.
- (iii) The Government may require the reconsideration of any decision which in its opinion compromises the interests of the Bank, provided that the Government's demand must be notified within ten days from the date of the decision; in such case no action shall be taken on the decision unless it is again passed by a special majority to be fixed in the Statutes.

Article 6.—(a) The Government may guarantee a dividend on the shares forming the original capital of the company formed in accordance with Article 3 (2) not exceeding 5% of the nominal value of such shares on conditions to be stipulated in the Memorandum of Association, and may further guarantee the capital and interest of debentures to be issued by the company; provided that the conditions of any such issue and the rate of interest shall be submitted to the Minister of Finance for approval.

- (b) The rate of the dividend and the manner and duration of its guarantee, and similarly the form of guarantee of the debenture of capital and the period for which such guarantee or the interest shall apply shall be determined by Regulations.

Article 7.—The Government shall issue Regulations for conducting the transactions of the Bank and shall prescribe in such Regulations:—

- (a) The nature of securities acceptable for the recovery of the debts, with the provision that perishable securities shall not be accepted.
- (b) The making of advances by the method of collateral security involving three or more persons; also speci-



fixing the maximum amount and duration of such advances.

- (c) That agricultural loans shall be restricted to Iraqi subjects or to Iraqi companies if the majority of their capital is Iraqi.
- (d) The manner of postponing the due instalment wholly or in part; also specifying the circumstances necessitating postponement.

Article 8.—The Bank shall, so long as its capital is provided by the Government, be exempt from the following taxes duties and fees:—

- (a) Tapu fees and Stamp Duties in all its transactions.
- (b) Registration fees (at the Notaries Public) and stamps.
- (c) Istihlak tax on the seeds which it distributes or sells to cultivators.
- (d) All revenue stamps in its transactions.

Article 9.—In its capacity as juristic person the Bank may own the following immoveable properties within and outside the boundaries of cities and towns:—

- (1) Offices, warehouses, laboratories, factories for the repair of agricultural machinery, experimental farms, gardens and such other properties as the operations of the Bank may require.
- (2) Any immoveable property in the event of its transfer to the Bank as a result of its claim on cultivators and the non-appearance of a purchaser to buy it at a suitable value which ensures the recovery of the whole debt in capital, interest and costs, provided that the Bank shall sell the property at the first suitable opportunity and that the owner thereof shall have



the right to recover it from the Bank after payment of the whole debt in capital, interest and costs, within one year from the date of its registration in the name of the Bank.

Article 10.—(a) The Government may convey freely to the Bank, so long as the whole of its capital is provided by the Government, any miri land or immoveable property which it considers necessary for the conduct of the Bank's operations.

(b) The Bank may expropriate immovable properties which are necessary for its operations on the ground that its operations are for public utility, in accordance with the Expropriation Law and provided the Minister of Finance confirms the necessity.

Article 11.—[The Bank may demand that a note of attachment be put in the Tapu Registers on any immoveable property with the approval of its owner, so as to secure a charge upon it for the recovery of a debt or loan due to the Bank, and such note of attachment shall be regarded as having the force of placing the immoveable property as security for the debt in accordance with the Law dated 1st Rabi' Al Akhar, 1331.

Article 12.—Debts due to the Bank shall be privileged and shall rank immediately after debts due to the Government. The Bank may request the application of the Law for the Collection of Debts Due to the Government, in the recovery of debts due to it.

Article 13.—If any debt due to the Bank is not paid on maturity the Bank may proceed to sell any moveable property pledged to it as security for the debt, in the following manner:—



- (1) The debtor shall be notified by registered letter that if he does not pay the sum due the property pledged will be sold; provided that the sale shall not take place before the expiry of 30 days from the date of registration of the letter at the Post Office.
- (2) The manner and place of sale shall be fixed by a notice exhibited not less than eight days prior to the sale.
- (3) From the proceeds of the sale 1% shall be deducted to cover the expenses of the sales and thereafter shall be deducted the sum necessary to meet the whole of the debt in capital and interest together with such costs as may have been stipulated in the document attesting the debt; any balance remaining shall be handed to the debtor.
- (4) The sale shall be carried out notwithstanding any seizure or protest on the part of any other creditor, provided that if any such seizure or protest is made, the Bank shall pay any balance remaining, after satisfying the claims specified in the preceding para, into the Treasury of the competent Court to be dealt with according to Law.

Article 14.—(a) The General Manager of the Bank and the Chairman and members of its Board shall be appointed by Royal Irada pursuant to the nomination of the Minister of Finance.

- (b) The local Finance services of the Government may, on the request of the Bank's Board of Directors and subject to the approval of the Minister of Finance, carry out operations on behalf of the Bank in districts in which the Bank has not opened a Branch. Officials rendering valuable assistance to the Bank may be granted such gratuity as the Minister of Finance shall approve.



Article 15.—The following properties shall be transferred from the Agricultural and Industrial Bank created by the Law for the Creation of an Agricultural and Industrial Bank No. 51 of 1935 to the Bank created under this Law:—

- (1) Amounts of agricultural advances and securities thereof.
- (2) Agricultural machinery.
- (3) All moveable properties.
- (4) Immoveable properties registered in the name of the Agricultural and Industrial Bank and relating to Agricultural affairs.
- (5) Claims due to it and all debts due from it arising from current accounts, payments and deposits or from acting as intermediary in the ordering of goods for Government departments; also accounts with the Treasuries.
- (6) Papers, correspondence, documents and reports relating to the operations of the Agricultural Bank.
- (7) In the event of dispute as to the ownership of any property between the Agricultural Bank created under this Law and the Industrial Bank to be created, the decision of the Minister of Finance as to which party the property belongs shall be final.
- (8) All the assets and possessions of the dissolved Iraqi Agricultural and Industrial Bank which shall be transferred to the Agricultural Bank shall be charged to the capital mentioned in para (1) of Article 3.

Article 16.—The provisions of Articles 4, 7, 9, 10, 11, 12, 13 and 14 shall not apply unless the Bank is administered by a Board of Directors in accordance with the first sentence of para (1) of Article 3 of the this Law.

Article 17.—This Law shall be enforced by a Royal Irada fixing the date of its coming into force, and from the date



of its coming into force the Law for the Creation of an Industrial and Agricultural Bank No. 51 of 1935 and supplementaries and amendments thereto shall be repealed.

Article 18.—The Minister of Finance is charged with the execution of this Law.

Made at Baghdad this 14th day of Safar, 1359, and the 23rd day of March, 1940.

ABDUL ILAH.

NURI AS SA'ID,  
Prime Minister.

RA'UF AL BAHRANI,  
Minister of Finance.

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## Agricultural Bank Regulation No. 40 of 1947.

In accordance with Article 23 (as amended) of the Constitutional Law and Article 7 of the Law for the Creation of an Agricultural Bank No. 18 of 1940, and by virtue of the powers vested in us and pursuant to the proposal of the Minister of Finance and with the approval of the Council of Ministers, we hereby order the promulgation of the following Regulation on behalf of His Royal Highness the Regent:—

Article 1.—The following expressions shall have the following meanings:—

“The Bank”—The Agricultural Bank established under Law No. 18 of 1940.

“The Board”—The Board of Directors of the Agricultural Bank.

“The Manager”—The General Manager and Chairman of the Board of Directors



**Article 2.**—The Bank may undertake the sale of agricultural implements, manures, seeds, cuttings and layers for tree-planting. It may also make advances against agricultural and animal produce such as wool, barley, hides and skins and the like within the limits of the objects set forth in Article 2 of Law No. 18 of 1940, subject to the conditions and guarantees provided for in this Regulation.

**Article 3.**—The amount of the advance referred to in Article 2 shall not be less than 15 Dinars nor more than 3,000 Dinars to any one person.

The provisions of the above para shall neither apply to transactions in which the Bank acts as agents for the sale of agricultural produce, mentioned in paragraph 6 of Article 2 of the Law for the Creation of an Agricultural Bank, nor to Cooperative Societies, rather in that respect the exigencies of the service as well as the importance of the work shall, according with decision of the Board, be observed.

**Article 4.**—The Bank may undertake the cleaning and grading of grains either by itself or through the formation of a subsidiary company or by agreement with any institution or company engaged in such operations. The Bank may set up warehouses for the storage of grains, dates and fruits and similar produce, subject to the provisions of the Grain Trade Regulating Board Law No. 32 of 1939.

**Article 5.**—(a) The term of a loan shall in no case exceed ten years and the term of each instalment shall not exceed one year.

(b) The Board may postpone an instalment more than once provided that the period of postponement shall not exceed two years from the date of maturity of the instalment.



**Article 6.**—The Bank may conclude an agreement with the agents or owners of factories inside or outside Iraq for the purchase of agricultural machinery and implements and sell the same to applicants. He may further centralise permanently or for any period the purchase of any or every type of machinery and implements in one firm. In the event of machinery or implements being available for sale by the Bank, no cash loan obtained by a borrower shall be used either directly or indirectly for the purchase of such machinery or implements from any other firm, and if so used the loan shall be deemed to be due for immediate repayment.

**Article 7.**—If the Government desire to increase the production of any particular breed of cattle, the Bank may arrange with the Departments concerned for the purchase of a number of such cattle under conditions to be fixed; and in such cases any person applying for an advance to purchase such cattle shall not receive his advance in cash, but an agreement shall be made with him to purchase a number of cattle of the breed agreed upon with the Government.

**Article 8.**—~~The Board~~ may, whenever it thinks fit, fix the amount or rate of interest in respect of all classes of loans or of sales by instalments, provided that the rate shall be the same for all loans, advances or instalments of any class. In no case shall any advance be made or any agricultural machinery, implements, manures or cattle be sold by instalments or on deferred payment except subject to charging the prescribed interest which shall run from the date on which the advance was made or the implements etc. were sold.

**Article 9.**—The following rules shall be observed in the grant of agricultural advances and in all other transactions carried out by the Bank:—



- (a) The applicant for an agricultural advance must be of Iraqi nationality; or a cooperative society; or a registered Iraqi company whose capital is held by Iraqis and whose objects include cultivation or the carrying out of agricultural schemes and the reclamation and improvement of land. The borrower shall, in any of the above cases, state his place of residence.
- (b) Every application for an advance shall be made in writing, on a form to be prescribed by special instructions, stating the amount and object of the advance, and the kind, description and situation of the security to be provided. Copies of any deed or document establishing the security shall be attached to the application.
- (c) Every application for an advance for the reclamation or improvement of land shall be supported by a map of the land together with a detailed statement as to the nature of the reclamation or the improvements intended by the applicant and the method of carrying them out. The Board shall, before approving the grant of an advance for this purpose, refer the application to the departments concerned for their recommendations and views thereon. The Board may cause the land to be inspected either by a person delegated on its behalf or by one of its officials. The Board may overlook the submission of a map of the land if its submission entails considerable difficulties or expenses and the land is unsurveyed.
- (d) Any person who applies for the good offices of the Bank in the sale of agricultural produce shall state the quantity which he intends to sell and shall submit with his application samples of the produce in accordance with instructions to be issued by the Bank from time to time.
- (e) The Board may fix the commission to be charged by it on the sale of the produce.



Article 10.—The Bank shall not make any advance nor sell any property on deferred payment or by instalments until it has obtained financial security commensurate with the instalments and with the object for which the advance is made as prescribed in this Regulation.

Securities acceptable by the Bank shall in general be as follows:—

- (a) Immovable property which may legally be given as security for debts, provided that such property is not under attachment or subject to a first mortgage to another person unless the first mortgage is released.
- (b) Established rights acquired under a lawful contract in an immovable property.
- (c) Agricultural and animal produce in store.
- (d) Wares, jewellery and coins, silver or gold.
- (e) Other movable property, such as cattle and agricultural implements, if the purchase price constituted the debt.
- (f) Machinery and irrigation pumps.
- (g) Deposits with Banks.
- (h) Share certificates, bills and coupons which the Board decide to be good security.
- (i) Joint guarantees in accordance with the conditions laid down in this Regulation.

Article 11.—Cooperative societies shall be advanced upon Government guarantee or the joint guarantee of the Society's Members or upon the Security of agricultural produce or the society's possessions such sums as may be decided by the Board according to the society's needs.



Article 12.—The following properties and articles shall not be accepted as security for debts due to or loans made by the Bank:—

- (a) A share held in undivided ownership which amounts to less than one-fourth of the immovable property and belongs entirely to the borrowing pledger or his surety;
- (b) Waqf real property which may not be sold or disposed of;
- (c) Agricultural crops before being harvested and fruits not yet gathered and any produce of a perishable nature.

Article 13.—(a) The amount of the advance shall be adequately covered by the value of the security so that it shall not exceed the following percentages:—

70% of the value of gold.

60% of the value of silver.

60% of the value of bills, shares, deposits & bonds.

60% of the value of immovable property.

60% of the value of agricultural and animal produce wool, barley, hides and skins and the like on the basis of the current prices as notified by the Government departments, or the Chambers of Commerce, or the Bourse.

- (b) Percentages in respect of other securities not mentioned above shall be fixed by the Board, provided that such percentages shall not exceed %40 of the value of the security as assessed by the said Board.



- (c) Machines, implements, motors and pumps shall be sold through the Bank by instalments, provided that at least 25% of their value shall be paid in cash.

Article 14.—If the Bank decide to accept as security for a debt any movable or immovable property which is exposed to the danger of fire, such property must be insured with an insurance company relied upon by the Bank. The owner of the property shall be required either to effect the insurance himself and at his own expense and endorse the policy to the Bank, or to authorise the Bank to effect the insurance, provided that the owner shall defray all the necessary expenses.

Article 15.—(a) A sum not exceeding 100 Dinars per person may be advanced to cultivators (other than cooperative societies) of the same Nahiya against a joint guarantee, provided that the number of joint borrowers under one instrument shall not be less than three. A sum not exceeding 100 Dinars may also be advanced to a cultivator against a guarantee made by other cultivators of the same Nahiya, provided that the person's guarantee shall not be accepted and that he shall not receive an advance more than once.

(b) The advance against a joint guarantee shall only be utilized for meeting the expenses of cultivation.

(c) The headquarters of Liwas and Qadhas shall, for the purpose of this Article, be considered as Nahiya.

Article 16.—The acceptance of agricultural produce as security for a debt shall be subject to the condition that such produce be placed in stores provided by the Bank for this purpose or in any store designated or approved by it, provided that the owner thereof shall in all



cases defray the expenses of storage, and also provided that the produce in question shall consist of such crops as are not liable to be damaged by storing, e.g., dried or packed dates, wheat, barley, rice, cotton, linseed, horse-beans, raisins, chick peas and all other kinds which the Board may decide to accept. In no case shall produce of a perishable nature, such as fresh vegetables or fruits or the like, be accepted as security; nor shall the Bank, while accepting any agricultural produce as security, be bound to apply a special method for weighing, measuring or counting the time of handing over, selling or disposing of the produce, but it shall be free to apply such procedure as it thinks fit.

Article 17.—Agricultural produce in store shall not be accepted as security for a period exceeding one year in respect of advances in cash or for the sale of agricultural implements by instalments or on deferred payment. Nevertheless the contract may, on the expiry of the said period, be renewed once for another year only, but thereafter the period shall not be extended nor shall the contract be renewed with the same produce as security.

Article 18.—If it shall appear to the Bank that the movable property pledged to it is exposed to the danger of destruction, the Bank shall warn the debtor that he should take, within a period not exceeding 10 days, such measures as would prevent the occurrence of the danger. Should the debtor fail to take the necessary precautions in this respect, the Bank may then take such steps as it thinks fit at the expense of the debtor. If, however, the danger of destruction cannot be avoided, the Bank may sell the pledged property immediately after the warning.

Article 19.—The acceptance of immovable property as security for agricultural debts and loans shall be subject to the following conditions:—



- (a) That the share which is held in undivided ownership and which amounts to not less than one fourth of the immovable property securing the debt belongs entirely to the indebted pledger or his guarantor;
- (b) A share held in joint ownership and amounting to not less than one fourth of the property, may likewise be accepted, provided that the whole of the share shall be offered as security for the whole amount of the debt or loan and that none of the partners shall have the right to release his share except after full repayment of the debt outstanding against all the partners.
- (c) Similarly, any or all of the other partners may be granted a loan, provided that the whole of the share which amounts to not less than one fourth is given as security for the debt and that the total of the loans shall not exceed the percentage fixed in Article 13.
- (d) Properties held in joint ownership through inheritance or otherwise shall be treated in the manner set forth in paragraph (b) of this Article.
- (e) A share amounting to not less than one fourth and held in undivided ownership shall not, prior to repayment of the debt, be divided unless the division shall in no way affect the interests of the Bank and after the Board shall have consented thereto. In this case the note of mortgage or attachment in the Tapu registers shall be transferred to the share subsequent to the division.

Article 20.—The value of immovable properties desired to be offered as security to the Bank shall be assessed by a committee consisting of a Tapu representative, one member of the Administrative Council and one or more experts chosen by the Bank or by any reliable body or official, provided that the owner of the property shall provide the necessary means of



transport. The fees, as assessed by the Bank shall be paid according to instructions to be issued by it. The Bank may decide to have the assessment reconsidered by another body if it thinks such reconsideration necessary.

The Board may dispense with the inspection of properties offered as security in the following circumstances:—

- (a) If the Bank has already inspected the property and four years have not yet elapsed since the inspection, and the Bank is satisfied that it has suffered no change affecting its value.
- (b) If the Bank has already inspected a part of the lands desired to be offered as security or inspected similar plots situated in the same locality and four years have not yet elapsed since the inspection, provided that the inspection fees be collected from the person concerned.
- (c) If the amount of the advance applied for does not exceed 100 Dinars and the immovable property offered as security is situated in a locality the value of which is known to the Bank.

Article 21.—Any immovable property desired to be offered as security for a debt shall not have been mortgaged or given as security for another debt. If the property is mortgaged to or under attachment by another person, steps may be taken to release it and pledge it to the Bank.

The note of attachment shall be placed on receipt of a notification from the Manager and at the written request of the owner supported by a statement made by him at the Tapu department, without the necessity of the presence of a representative of the Bank.



**Article 22.**—If the value of any movable or immovable property pledged to the Bank shall have, in the opinion of the Board, depreciated by 15% or more since the making of the loan, the Manager shall give the debtor notice requiring him to offer, within eight days from the date of the notice security equal to the defreciation or to repay an equivalent amount of the debt. In the event of the debtor failing to offer the required security or to make a part payment of the debt, then the debt and all the instalments shall be deemed to be due for payment in full and the property concerned may be sold forthwith in accordance with the Law in force for the Collection of Debts due to Government, and the debt together with interest and all other expenses shall be recovered out of the sale proceeds. The decision of the Board in respect of the fall in value and the demand for the redintegration thereof shall be final and not subject to objection.

**Article 23** —All expenses in connection with transactions relating to pledges and mortgages, such as inspection, valuation and storage fees, charges for the drawing up and registration of contracts and insurance premiums shall be paid in advance to the Bank by the person applying for the loan. Should such expenses be paid by the Bank, the same, plus interest, shall be added to the principal at the time of recovery and there shall also be added thereto all expenses and fees incurred for the collection of same.

**Article 24.**—Sums paid by or recovered from debtors in respect of any debts or loans shall be appropriated firstly to interest, secondly to expenses and thirdly to the principal.

**Article 25.**—Any debtor who pays the debt due from him before maturity shall be required to pay one month's interest as from the date of payment, provided that the Bank



shall have the option to accept or reject repayment before maturity. If, however, the period remaining is one month or less, then interest plus principal shall be collected in full up to the date of maturity.

Article 26.—The Manager may, one month before maturity, send a letter to the debtor calling upon him to repay the debt at maturity, and the expense of postage shall be borne the debtor. If, on maturity, the debtor fails to pay and no agreed settlement is reached, all the instalments shall become due for payment and the Bank shall forthwith proceed to recover. Provided always that omission to notify shall not be a bar to recovery at maturity. Collection shall not be delayed on any pretext nor shall any period of grace be allowed to the debtor unless failure to pay was due to lawful reasons. In the event of property pledged or mortgaged to the Bank being destroyed by fire or othrewise, all the instalments shall become due and the debt shall recovered in full.

Article 27.—The proceeding for recovery of the debt shall be commenced by submitting to the Tapu department in the locality where the pledged immovable property is situated a written application for the sale of the property in accordance with the Law for the Sale of Immovable Properties in order to secure the debt. The Tapu department shall then serve a notice upon the debtor, his heirs, guardians or syndic for the payment of the debt within ~~one~~ <sup>3</sup> weeks, and if, upon the expiry thereof, no payment is made the property shall be sold by auction in the manner provided for properties pledged as security for debts.



Article 28.—If the pledged property is movable such as wares, jewellery, agricultural produce, cattle or the like, or if the debtor has no property pledged to the Bank, the Bank shall prepare a list of the debts due for recovery and forward it to the Mutasarrif or Qaimmaqam in the place where the property to be sold is situated or in the place where the debtor permanently or temporarily resides or in the place of residence elected by him at the time of contracting the debt. The said authorities shall forthwith proceed to recover by application of the Law for the Collection of Debts due to the Government and of any other Law or Regulation in force for the collection of debts due to the Government; and the list forwarded by the Bank to the authorities concerned shall be regarded as a document having legal force for the application of the law and for the sale of the debtor's properties.

Article 29.—In the event of a debtor or his surety paying instalments which have become due, together with interest thereon and all other expenses, or in the event of any other settlement approved by the Bank being made, prior to final adjudication of the properties intended to be sold, enforcement shall be postponed and the auction suspended.

Article 30.—The Manager may, subject to a decision of the Board, issue instructions specifying the forms of applications and other instruments and documents necessary for the proper conduct of the operations of the Bank and for safeguarding its rights.

Article 31.—This Regulation shall come into force from the date of its publication in the Official Gazette.



Article 32.—The Ministers of Interior, Finance and Justice are charged with the execution of this Regulation.

Made at Baghdad this 25th day of Ramadhan, 1366 and the 12th day of August, 1947.

Regency Council.

ABDUL AZIZ AL KASSAB,                      MUHAMMED AS-SADR,  
ABDUL MAHDI,

SALEH JABUR,  
Prime Minister and  
Ag. Minister of Interior.

YUSUF GHANIMA,  
Minister of Finance.

FADHIL AL-JAMALI,  
Minister of Foreign Affairs.

SHAKIR AL WADI,  
Minister of Defence and  
Ag. Minister of Economics.

DHIA JA'FAR,  
Minister of Communications & Works.

TOWFIQ WAHBI,  
Minister of Education.

JAMIL ABDUL WAHHAB,  
Minister of Social Affairs and  
Ag. Minister of Justice.

ABDUL ILAH HAFIDH,  
Minister of Supply.



## **Fundamental Statute of the Agricultural Bank.**

In compliance with the provisions of Law No. 18 of 1940 for the Creation of an Agricultural Bank, and in accordance with Royal Irada No. 380 dated 11th Sha'ban, 1364 (21st July, 1945) issued under the said law, and pursuant to the decision of the Iraq Government for the establishment of the Bank in the manner shewn in Article 3 (1) of the law.

We, members of the Board of Directors (in an acting capacity), have this day met and resolved that the Fundamental Statute shall be as shown hereunder, provided that it shall come into force after the approval of the Government has been obtained as laid down in Article 4 of Law No. 18 of 1940.

- (1) Name of the Bank—The Agricultural Bank.
- (2) Objects—To assist cultivators and to advance and develop agriculture within the limits and conditions set forth in Law No. 18 of 1940 and Regulations issued thereunder and any law which may be issued in the future for this purpose.
- (3) Dissolution of the Bank—The Bank can only be dissolved by a special law and in such event all the assets, rights, debts and liabilities of the Bank shall be transferred to the Government and all contracts, agreements and bonds concluded or issued by the Bank prior to its dissolution shall be considered as having been concluded with or issued by the Government.
- (4) Capital—The capital of the Bank shall be 500,000 Dinars to be drawn from time to time.
- (5) The maximum period for repayment of the advance—The maximum period for repayment of the advance shall be 75 years from the date on which the last payment to meet the 500,000 dinars was made, provided that after the lapse of 10 years from that date the Board of Directors shall, each year



and upon the request of the Minister of Finance, determine the amount which the Bank can hand over to the Government in repayment of a part of the capital, after taking into account the profits and losses of the Bank, the expansion of its operations and the need for the capital required for the proper conduct of its affairs.

- (6) **Borrowing**—The Bank may, subject to the approval of the Government, borrow such sums as the Board may decide by the issue of negotiable bonds or by any other means.
- (7) **Conversion of the Bank into a Company limited by shares**—The Bank may be converted into a company limited by shares, provided that its Memorandum and Articles of Association are approved by the Board and that effective measures are taken to transfer the rights and obligations of the Bank to the Company in such manner as to obviate any confusion or interruption in the operations of the Bank.
- (8) The Bank shall comply with the provisions of the Law of the Bank and of its Internal Regulations attached to the Fundamental Statute. The Board of Directors shall not take any decision in contravention of the provisions of the said Law and Regulations nor amend the Internal Regulations except with the approval of the Government.



# Internal Regulations of the Agricultural Bank.

Article 1.—(1) The Bank shall be administered by a Board of Directors appointed by a decision of the Council of Ministers and a Royal Irada and composed of a General Manager and four members:

(a) General Manager—Chairman.

(b) A senior official of the Ministry of Finance whose grade is not lower than the grades of Class I—Member.

(c) A senior official of the Ministry of Economics whose grade is not lower than the grades of Class I—Member.

(d) Two big agriculturists—Members.

(2) The term of service of members—other than the Chairman—shall be four years, one half of the members being replaced every two years, due regard being had to seniority and provided that replacement for the first time shall be made by ballot. A member whose term of office has expired may be re-appointed.

(3) By a decision of the Board of Directors and with the approval of the Minister of Finance, one additional temporary member may be appointed in the absence of any member by reason of prolonged sickness or travel whereby the interests of the Bank may be affected.

(4) An annual remuneration shall be given to members of the Board as follows:—



General Manager and Chairman of the Board	..	120 Dinars
Non-official member	..	200 Dinars
Official member	..	100 Dinars

The manner of payment of such remuneration shall be prescribed by instructions to be issued by the Board.

*Meetings of the Board of Directors.*

Article 2.—(1) The Board will meet, on the proposal of the Chairman, as often as the interests of the Bank require and not less than once a month.

(2) At least three members, one of whom shall be the General Manager, shall form the quorum. In the absence of the General Manager, the members present shall choose one of their member to be Chairman of the meeting. Decisions of the Board shall be by a majority of votes and in case of an equality of Votes the Chairman shall have a casting Vote.

(3) A special record shall be kept of the deliberations and decisions of the Board which shall be signed by the Chairman of the meeting and by all the members present; and a copy of the minutes shall be sent to the Ministry of Finance within seven days of the meeting. The Minister of Finance may require that any decision taken by the Board be reconsidered if in his judgment it endangers the interests of the Bank, provided that this demand be made within seven days from the date on which the decision was notified to him. Any such decision shall not be carried out until it has been reconsidered by the Board and duly approved by it for the second time unanimously.

*Finances of the Bank.*

Article 3.—The finances of the Bank shall consist of the following:—



- (1) The capital fixed and provided by the Government under Article 3 (1) of the Law for the Creation of an Agricultural Bank No. 18 of 1940.
- (2) Profits accruing from agricultural advances, commission and agricultural undertakings.
- (3) Sums which the Board may decide to borrow with the approval of the Government.

Article 4.—The Bank shall be a juristic person qualified to conclude any kind of contract, and to acquire and dispose of movable and immovable properties for the conduct of its business and to institute proceedings in all courts, provided that the Board of Directors or its chairman or any of its members shall not be personally liable in respect of any act done by them in conformity with these Regulations and the Fundamental Statute.

*Powers of the Board of Directors.*

Article 5.—The administration of the affairs of the Bank shall, in general, be within the competence of the Board of Directors and shall include the following:—

- (1) To open and close down Branches.
- (2) To authorise Managers of Branches to consider the grant of agricultural advances of all kinds, provided that the amounts of and manner of granting such advances shall be determined by special instructions to be issued by the Board.
- (3) To appoint committees and experts at the Head Office or in Branches and define their powers and replace them by others in such manner as the Board may deem to be in conformity with the interest of the Bank.
- (4) To prepare and sanction the annual budget of the Bank sufficiently before the beginning of the year and to send a copy thereof to the Minister of Finance.



- (5) To sanction the Monthly Balance Sheet of the Bank within not more than seven days after the close of the month to which the Balance Sheet relates and to sanction the final accounts of the Bank at the end of every financial year.
- (6) To institute a Provident Fund for the officials of the Bank and to invest its monies.
- (7) To appoint, dismiss and suspend officials and employees and to fix their salaries and remuneration and the guarantees which are to be taken from them when necessary and to determine the conditions of service in the Bank and the discipline of officials and employees, according to the proposal of the General Manager.
- (8) To enter into loan agreements and to issue negotiable instruments.
- (9) To prescribe the institutions with which the Bank may transact business and the conditions relating thereto.
- (10) To undertake the construction and repair of buildings.
- (11) To purchase properties for the Bank and to sell movables and immovables belonging to the Bank, subject to Article 6 of these Regulations.
- (12) To spread debts due to the Bank over instalments or to postpone such debts against interest to be collected in advance or at a later date as the Board may decide, and to write off any irrecoverable debts.
- (13) To effect a compromise in respect of any right or debt and to abandon litigation and to agree to refer any matter to arbitration.



- (14) To make suggestions for amending the Internal Regulations and the Laws and Regulations governing the affairs of the Bank.
- (15) To deal with all other matters referred to it by the Head Office or, through that office, by the Branches, and to take decisions thereon.
- (16) To delegate all or any of its powers to the General Manager, subject to such stipulations as it may decide.
- (17) Decisions of the Board entailing the write off of any sum or the conclusion of a compromise purporting a write-off (excluding amounts not exceeding 25 Dinars) shall not be carried out unless approved by the Minister of Finance.

*Powers and Duties of the General Manager.*

Article 6.—The General Manager shall carry out the decisions of the Board of Directors and exercise all the powers delegated to him by the Board. He shall also represent the Bank in all matters affecting Government departments or other institutions and persons and, may in this capacity, exercise any of the following functions:—

- (a) To sign all letters and communications issued by the Bank and all bonds and other documents.
- (b) To attend in person, or delegate another to attend, all Government and Semi-Government Councils, departments and institutions and represent the Bank in suits filed by or against the Bank.
- (c) To sign, together with two other members to be selected by the Board of Directors, loan agreements and negotiable instruments. The Board may also determine the type of bonds and other documents which must be signed by one or more members in conjunction with the General Manager.



- (d) To approve the grant of agricultural advances against a joint guarantee, advances secured by movable or immovable property or advances secured by established rights in immovable properties, and advances against Government guarantee, in cases where the amount of the advance does not exceed 400 Dinars.
- (e) To deal directly with applications by borrowers for the settlement of instalments of agricultural advances which have become due, whether for the receipt of a part thereof or for the postponement of the whole if there is any justification therefor under the laws and regulations in force.
- (f) To consider the sale of immovable properties which are under attachment by the Bank and the owners of which have failed to repay sums due from them on account of advances and have not applied for settlement thereof in accordance with the laws and regulations in force; and to make bids for securities which the Bank demand to be sold by auction as a result thereof, provided that the amount of the bid shall not exceed the amount of the advance and the expenses incurred thereon.
- (g) To appoint, discharge or suspend officials and employees whose salary is less than 15 Dinars and to inflict disciplinary penalties on them.

Article 7.—The Board of Directors may decide to sell any property the sale of which it considers to be more advantageous than its retention under its disposal, provided that the sale shall in the first instance be made by public auctions on conditions to be prescribe by the Board and also provided that if the object of the sale is real property which had passed to the Bank from any debtor, the first owner thereof shall have the option to retake possession without auction provided he pays all the debts outstanding against him together with interest thereon and the rental and other expenses up to the date of repurchase. Such option shall, however,



lapse if the first owner does not apply for the purchase of the property within three years from the date of its transference to the Bank.

- (a) No loans shall be made to members of the Board or to any of its senior officials (as may be prescribed by the Board) or to any of their relatives (i.e. relatives of members and senior officials) up to the 3rd degree whether such relationship be by blood or by marriage. Similarly no loans shall be made to any of the officials or employees of the Bank.
- (b) No property of the Bank shall be sold to those mentioned in paragraph (a) of this Article.
- (c) Persons indebted to the Bank shall not be appointed as members of the Board of Directors nor as officials or employees in the Bank in any capacity whatsoever.

**Article 8.**—Auditors shall, by a decision of the Minister of Finance, be appointed to audit the accounts of the Bank and pass the annual Balance Sheet. He shall also submit a comprehensive report thereon to the Board and to the Minister of Finance. The Board shall enable the auditors to have access to all vouchers, registers, information accounts the annual budget and the Statement of Profits and Losses.

**Article 9.**—The financial year of the Bank shall commence on 1st April and end on 31st March. The Board shall, at the close of the year, prepare the final accounts and submit the same to the Minister of Finance for perusal together with a comprehensive report on the working of the Bank during that year, within not more than six months of the close of the financial year to which the final accounts relate.

**Article 10.**—These Regulations shall come into force from the date of their publication in the Official Gazette.

**Article 11.**—The Minister of Finance is charged with the execution of these Regulations.



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474 Rashid Street,  
Baghdad, Iraq,  
July 9, 1953.

Mr. Akram Zainal,  
Director, Agricultural Bank,  
Baghdad, Iraq.

FILE COPY

Dear Director Zainal:

I am sending, herewith, a copy of a draft project arrangement for your consideration as the next step toward inaugurating a cooperative supervised credit project between your bank and the Technical Cooperation Administration. A concurred in arrangement is now required by TCA authorities in Washington as a means of getting work formally under way. We shall, however, need a Foreign Office note requesting assistance before any further steps can be taken, and I hope you will request that the Minister of Finance prepare and send us such a note. The note should request the services of a specialist in supervised agricultural credit under the cooperative agreement for technical assistance.

You will find that the included draft project arrangement reflects as faithfully as possible the discussion that has already gone on between us in this matter. However, it appeared to us better to have a specialist on the ground to work directly with you and the Bank on the more detailed aspects of lending policy as noted under Paragraph 4 of the "Plan of Operations," of the project arrangement.

The specialist, when he arrives, will have the help of Mr. Frank Robinson of the Miri Sirf Land Development staff who has now been in Iraq for the better part of a year. Robinson is an expert in supervised credit having worked for years with the Farm Security Administration in the United States and has already gained a considerable understanding of Iraq Agriculture. The two U.S. specialists working directly with the Bank will, I feel, be able to work out a very satisfactory set of loan policies quickly.

If you concur in the Project Arrangement, will you please inform me either by telephone or by letter, and we will prepare copies to be sent via the Foreign Office to you and the Minister of Finance for your official concurrence. Only after such official concurrence can we proceed with the recruitment of a credit specialist from the U.S.

*Proj. Ag. Credit*



I am attaching, hereto, also Amendment No. 1 to the Project Arrangement. This amendment relates to the financial provisions for the project both by TCA and the Agricultural Bank. Since financial arrangements are subject to change from time to time, it has been found better, in practice, to add provisions for them as amendments to the basic project arrangement. As the TCA contributions to the project, I have, in this Amendment, provided \$3,500 for the purchase of an automobile for use by the U.S. project supervisor and to provide him with a small sum to be used for purchase of needed technical supplies in the U.S.

The estimates of the costs to the bank have been made up on the basis that funds should be provided initially for two years of operations. My estimates may be high or low and the bank will need to give careful consideration to the amounts suggested. The field party will need office space, utilities, furniture, typewriters, mimeographing machine, office supplies. Ample provision must also be made for travel and per diem, because the project supervisor and his two assistants will spend a great deal of time in the field. I have, therefore, provided for the purchase of an automobile as part of the Bank's contribution so that the party may have two cars at its disposal.

Since it sometimes takes months to recruit a specialist, I shall be pleased to have the Bank give this project arrangement and amendment as prompt attention as possible and shall be glad to call at the Bank to discuss them with you at any time.

So that he may be informed, a copy of this letter and its attachments have been sent to the Minister of Finance.

Sincerely yours,

Conrad H. Hammar  
Chief, Agriculture Division

Enclosures:

As mentioned above.

CHHammar:rmsb



PROJECT ARRANGEMENT AG. NO.

PROJECT TITLE: SUPERVISED AGRICULTURAL CREDIT

Pursuant to the General Agreement for Technical Cooperation between the Government of Iraq and the United States of America, dated at Baghdad, Iraq, on April 10, 1951, becoming effective on June 2, 1951, and subsidiary to the Agreement for a Cooperative Program in Agriculture embodied in the exchange of notes between the two governments on November 19, 1951, and March 18, 1952, this Project Arrangement is entered into between the Government of Iraq, represented by the Ministries of Foreign Affairs and Finance, and the Technical Cooperation Administration of the United States Embassy in Iraq, represented by the Director and the Chief, Division of Agriculture.

### Problem and Objective

Among the objectives of the agricultural program for Iraq are the important ones of greatly increasing farm production and improving the living standards and social status of the farmers. Credit can be used for both these purposes and is indeed widely so used in countries with highly developed systems of technical agriculture. To increase their production and improve their incomes, farmers in Iraq and everywhere need credit to buy tools, machinery, supplies, livestock and for improving such things as irrigation, drainage, farm housing and the like. There can, in fact, be no doubt about the advantages of credit under the rapidly expanding agricultural program of Iraq but getting farmers, who for the most part have little experience in using credit, to employ it constructively will require a program of training and supervision along with the credit. Fortunately, many countries faced with much the same problem have used supervised farm credit very successfully and the procedures for granting and using such credit are well established. It is the objective of this project to initiate a program for supervised farm credit for Iraqi farmers, in certain selected demonstrational areas, as a means of training them in the use of this important instrument for economic progress.

### Plan of Operation

The Agricultural Bank already makes many kinds of loans to farmers and the granting of supervised farm credit loans is to be an integral though additional part of the Bank's program. These supervised farm loans will be granted under the following circumstances and procedures:

1. The Bank and the Technical Cooperation Administration will select one or more Nahiyas in which to make these loans and carry on the demonstrations. The Nahiya (or Nahiyas) selected shall be one in which there is a large number of small farmers who either own their lands or who rent lands under a specific leasing arrangement.

2. Loans are to be granted for purposes of increasing production and to facilitate the purchase of land but are to be granted only to small farmers who are unable to obtain credit from commercial credit sources.

3. Project direction shall be provided by a TCA credit specialist working under the joint direction and supervision of the Director of the Agricultural Bank and the Chief, Division of Agriculture of the Technical Cooperation Administration.



4. Special regulations governing the granting of the loans shall be worked out jointly by the Agricultural Bank and the Technical Cooperation Administration and shall cover such matters as:

- a. Types of loans that may be granted.
- b. Eligibility of borrowers and appraisal of security.
- c. Size of loans; in total and in relation to security offered.
- d. Period of loan and rules governing renewals.
- e. Rates of interest to be charged.
- f. Rules governing use of loan funds.
- g. Repayment contract and procedures.
- h. Rules governing pledging of security and action in case of delinquency.

5. Monthly progress reports covering operations under the program shall be made by the Project Supervisor to the Agricultural Bank and to the Technical Cooperation Administration and, at the end of each year's operation, a summary report shall be prepared. For the preparation of these reports, the Bank shall guarantee the Project Supervisor access to pertinent records of the Bank.

6. Before inauguration of project operations, the Project Supervisor will propose, for the approval of the Bank and the Technical Cooperation Administration, an appropriate set of records and forms that shall be maintained in connection with such operations.

7. Operation of the Project shall, at all times, be such as (a) to maximize its value as a pilot project, and (b) to train Iraqi specialists and assistants so that these may, themselves, as quickly as possible, take charge of similar projects in other Qadas or Nahiyas.

#### Personnel

The Technical Cooperation Administration shall provide personnel as follows for the project:

One specialist supervisor skilled in the field of supervised agricultural credit.

The Agricultural Bank shall provide personnel for the project as follows:

Two assistant credit supervisors to work under the direction of the U.S. specialist on the supervised agricultural credit project and who shall be selected with the prospect that they will, as quickly as possible, become supervisors for similar projects in other Qadas or Nahiyas.



## Term of Project

The term of this project shall be two years computed from the arrival of the U.S. specialist supervisor and subject to the availability of funds appropriated and allocated to the Technical Cooperation Mission to Iraq. Renewal of the project may be taken up at the will of either the TCA or the Agricultural Bank.

## Project Completion

Upon substantial completion of this project, a Completion Memorandum shall be jointly prepared by appropriate representatives of the Agricultural Bank of the Ministry of Finance and the Technical Cooperation Administration. Such memorandum shall provide a record of work done, the objectives sought to be achieved, the expenditures made, the problems encountered, and the related basic data. It shall be the responsibility of the Ministry of Finance to continue the work inaugurated in this Project Arrangement.

## Project Developments

This Project Arrangement has been discussed and developed with the Director of the Agricultural Bank who has, in turn, discussed it with the Board of Directors of the Bank and with the Minister of Finance. It has been approved by the Chief, Agriculture Division, and by the Director of the Technical Cooperation Mission to Iraq of the Technical Cooperation Administration.

## Contribution

The Technical Cooperation shall pay salary and allowances of the credit specialist furnished by TCA under this project and shall pay costs of the international travel and for transport of the household effects of such specialist and his family.

The Agricultural Bank shall provide office facilities, secretarial and clerical services and shall pay transportation and travel expense in Iraq for the U.S. specialist while travelling outside his assigned post.

The Agricultural Bank shall also pay salary, allowances, travel, per diem, and other appropriate costs of Iraqi personnel engaged on this project.

Necessary travel outside Iraq shall be performed in accordance with arrangements mutually agreed to in each individual case.

Provided, however, that the funds allocated to this project, other than those allotted for salaries and allowances of the TCA project supervisor and the Iraq assistant specialist, shall be the subject of an assessment to this project arrangement as soon as amount of funds available for the purpose become known.



CERTIFIED AS TO:

Inclusion in Country  
Programs FY 1953 and FY 1954

\_\_\_\_\_  
Program Officer

\_\_\_\_\_  
1953

Covering Funds Included in FY 1953  
and FY 1954 Budget Estimates

\_\_\_\_\_  
Controller

\_\_\_\_\_  
1953

APPROVED:

\_\_\_\_\_  
Chief  
Division of Agriculture

\_\_\_\_\_  
1953

\_\_\_\_\_  
Director  
Technical Cooperation Administration  
U.S. Operations Mission to Iraq  
\_\_\_\_\_  
1953



Project Arrangement No.  
Project Title: Supervised Agricultural Credit  
Amendment No. 1

The parties to the above-mentioned Project Arrangement hereby desire to amend the said arrangement as follows:

Financing: The funds herein jointly allocated will be available for expenditure at any time during the continuation of this cooperative Project Arrangement provided, however, that the United States obligations incurred shall not exceed the dollar amounts of this allocation.

The contribution of the Technical Cooperation Administration to the project, in addition to provision for a specialist in supervised agricultural credit as project supervisor, shall be as follows:

For automotive and Technical Equipment	\$3,500
--	---------

The parties intend that these U.S. funds shall be held in the United States to meet payments for supplies and equipment purchased there for the project.

The contribution of the Agricultural Bank to this project, apart from provision of professional and semi-professional personnel, shall be in two parts; the first relating to the provision of funds for the making of supervised credit loans to farmers and the second to the provision of funds for operating costs over a two-year period. The funds provided by the Bank shall be as follows:

I. Loan Fund ( <i>Beginning</i> )	I.D. 30,000
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II. Operating Funds

Station Wagon	I.D. 2,000	
Stenographer & Interpreter	I.D. 720	
Furniture and Equipment	I.D. 1,500	
Travel and Per Diem	I.D. 1,300	
Office space and utilities	I.D. 400	I.D. 5,920
	Total	I.D. 35,920

Motor Vehicles

When motor vehicles are made available by TGA for use in the project, the Ministry of Finance and the Agricultural Bank agree to provide for the cost of fuel, oil, maintenance and repairs.

Project Expansion

It is agreed that after approximately 12 months of operation on this project, the above financial provisions shall be reviewed partly to determine their adequacy but also to determine how and when and under what financial provisions the program of supervised credit loans may be expanded into other selected areas. If it is determined that the time has come for expansion, a further amendment to this Project Arrangement shall be prepared to serve as a basis for cooperation under the expanded program.



General

This amendment has been discussed and developed jointly with the Director of the Agricultural Bank. It has been approved by the Chief, Division of Agriculture and by the Director of the Technical Cooperation Administration Mission to Iraq.



474 Rashid Street,  
Baghdad, Iraq,  
July 3, 1953.

Mr. Akram Zainal,  
Director, Agricultural Bank,  
Baghdad, Iraq.

FILE COPY

Dear Director Zainal:

I am sending, herewith, a copy of a draft project arrangement for your consideration as the next step toward inaugurating a cooperative supervised credit project between your bank and the Technical Cooperation Administration. A concurred in arrangement is now required by TCA authorities in Washington as a means of getting work formally under way.

You will find that this draft project arrangement reflects as faithfully as possible the discussion that has already gone on between us in this matter. However, it appeared to us better to have a specialist on the ground to work directly with you and the Bank on the more detailed aspects of lending policy as noted under Paragraph 4 of the "Plan of Operations."

The specialist, when he arrives, will have the help of Mr. Frank Robinson of the Miri Sirf Land Development staff who has now been in Iraq for the better part of a year. Robinson is an expert in supervised credit having worked for years with the Farm Security Administration in the United States and has already gained a considerable understanding of Iraq Agriculture. The two U.S. specialists working directly with the Bank will, I feel, be able to work out a very satisfactory set of loan policies quickly.

If you concur in this Project Arrangement, will you please have it transmitted through the Ministry of Finance to the Foreign Office with a statement to that effect and, as soon as we are notified of the concurrence, we will take steps to recruit a credit specialist for the project. Recruitment cannot be started until the Foreign Office note of concurrence has been sent to this office.

I am attaching also, hereto, Amendment No. 1 to the Project Arrangements. This amendment relates to the financial provisions for the project both by TCA and the Agricultural Bank. Since financial arrangements are subject to change from time to time, it has been found better, in practice, to add provisions for them as amendments to the basic project arrangement.

*P.O. sent 2 S.O. on 23rd Sept. & enclosed 2 Min. of Agric.*

*Proj - Ag - Credit Sec.*



As the TCA contributions to the project, I have provided \$3,000 for the purchase of a jeep for use by the U.S. project supervisor and to provide him with a small sum to be used for purchase of needed technical supplies in the U.S.

The estimates of the costs for the project to the bank have been made up on the basis that funds should be provided initially for two years of operations. My estimates may be high or low and the bank will need to give careful consideration to the amounts suggested. The field party will need office space, utilities, furniture, typewriters, mimeographing machine, office supplies. Ample provision must also be made for travel and per diem, because the project supervisor and his two assistants will spend a great deal of time in the field. I have, therefore, provided for the purchase of an automobile as part of the Bank's contribution so that the party may have two cars at its disposal.

Since it sometimes takes months to recruit a specialist, I shall be pleased to have the bank give this project arrangement and amendment as prompt attention as possible.

So that he may be informed, a copy of this letter and its attachments have been sent to the Minister of Finance.

Sincerely yours,

Conrad H. Hammar  
Chief, Agriculture Division

Enclosures:

As mentioned above.

cc: Minister of Finance



File

474 Rashid Street,  
Baghdad, Iraq,  
July 9, 1953.

Mr. Akram Zainal,  
Director, Agricultural Bank,  
Baghdad, Iraq.

Dear Director Zainal:

I am sending, herewith, a copy of a draft project arrangement for your consideration as the next step toward inaugurating a cooperative supervised credit project between your bank and the Technical Cooperation Administration. A concurred in arrangement is now required by TCA authorities in Washington as a means of getting work formally under way. We shall, however, need a Foreign Office note requesting assistance before any further steps can be taken, and I hope you will request that the Minister of Finance prepare and send us such a note. The note should request the services of a specialist in supervised agricultural credit under the cooperative agreement for technical assistance.

You will find that the included draft project arrangement reflects as faithfully as possible the discussion that has already gone on between us in this matter. However, it appeared to us better to have a specialist on the ground to work directly with you and the Bank on the more detailed aspects of lending policy as noted under Paragraph 4 of the "Plan of Operations," of the project arrangement.

The specialist, when he arrives, will have the help of Mr. Frank Robinson of the Miri Sirf Land Development staff who has now been in Iraq for the better part of a year. Robinson is an expert in supervised credit having worked for years with the Farm Security Administration in the United States and has already gained a considerable understanding of Iraq Agriculture. The two U.S. specialists working directly with the Bank will, I feel, be able to work out a very satisfactory set of loan policies quickly.

If you concur in the Project Arrangement, will you please inform me either by telephone or by letter, and we will prepare copies to be sent via the Foreign Office to you and the Minister of Finance for your official concurrence. Only after such official concurrence can we proceed with the recruitment of a credit specialist from the U.S.

FILE COPY

May 14 Sup. Staff



I am attaching, hereto, also Amendment No. 1 to the Project Arrangement. This amendment relates to the financial provisions for the project both by TGA and the Agricultural Bank. Since financial arrangements are subject to change from time to time, it has been found better, in practice, to add provisions for them as amendments to the basic project arrangement. As the TGA contributions to the project, I have, in this Amendment, provided \$3,500 for the purchase of an automobile for use by the U.S. project supervisor and to provide him with a small sum to be used for purchase of needed technical supplies in the U.S.

The estimates of the costs to the bank have been made up on the basis that funds should be provided initially for two years of operations. My estimates may be high or low and the bank will need to give careful consideration to the amounts suggested. The field party will need office space, utilities, furniture, typewriters, mimeographing machine, office supplies. Ample provision must also be made for travel and per diem, because the project supervisor and his two assistants will spend a great deal of time in the field. I have, therefore, provided for the purchase of an automobile as part of the Bank's contribution so that the party may have two cars at its disposal.

Since it sometimes takes months to recruit a specialist, I shall be pleased to have the Bank give this project arrangement and amendment as prompt attention as possible and shall be glad to call at the Bank to discuss them with you at any time.

So that he may be informed, a copy of this letter and its attachments have been sent to the Minister of Finance.

Sincerely yours,

Conrad H. Hammar  
Chief, Agriculture Division

Enclosures:

As mentioned above.



# TELEGRAM

INCOMING

Foreign Service of the  
United States of America

(2)

~~UNCLASSIFIED~~  
Classification

Control: 251  
Recd: August 12, 1953

TEXTU 85, August 11th

Despatch TOTEC 13. ✓

TCA contribution of automobile per amendment number 1 supervised agricultural credit project arrangement limited to jeep station wagon, four WD or carryall. FY54 appropriation does not authorize purchase passenger motor vehicles.

STASSEN

jls  
1155  
2 copies for TCA

FILE COPY

*Prog-TCA-Cy. Credit*

Classification



AMENDING THE REGULATION OF AGRICULTURAL BANK No. (40) of 1947

We Faisal Second, the king of Iraq after perusal of the paragraph (1) of article (26) of the constitutional law and on accordance with article (7) of the law for the establishment of Agricultural Bank No. (18) of 1940 and pursuant to the proposal of Minister of Finance and with the approval of the Council of Ministers we ordered the enactment of the following regulation:-

Article 1- Article (11) of the Agricultural Bank regulation No. (40) of 1947 be cancelled and replaced by the following:-

Article (11) credit be granted to the Agricultural Cooperative Societies which work under the Control of the specialist of the Ministries of Economic and Agricultural that the amount be guaranteed by the Cooperatives properties. The amount of the credit to be decided upon by the administrative Council according to the needs of Cooperative Society in order to enable it to deal with its provincial Industrial and Agricultural affairs at a profit not exceeding 3% annually.

Article 2- The following paragraph be added to the article (13) of the aforesaid regulation and be designated as paragraph D.

Paragraph (D) - The Agricultural Bank in agreement with the Directorate of the Agricultural Machineries and Tools mediate in purchasing new machines, tools for the farmers reputed Companies and credit for this purpose be granted at the rate of 80% of their cost provided that the Companies should undertake to bear half the amount of the loss may occur as a result of the given credit in question.

Article 3- This regulation shall come into force from the date of its publication in the Official Government Gazette.

Article 4- Minister of Finance is charged with the execution of this regulator.

Made at Baghdad this day of 13th Jamadia El Awal 1373 and the 18th of January 1954.

Faisal

Mohamed Fadhil El Jemali  
Prime Minister

Ali Haider Sulaiman  
Minister of Development

Jamil El Urfali  
Acting Minister of Justice

Said El Kazaz  
Minister of Interior

Abdul Amir Alawi  
Minister of Health

Arkan Abadi  
Minister without portfolio

Sadiq Kammouna  
Minister without portfolio  
& Acting Minister of Economic

Mohamed Ali Mahmood  
Vice Prime Minister  
Acting Minister of  
Foreign Affairs  
Abdul Karim El Uzri  
Minister of Finance

Abdul Majid El Kassab  
Minister of Education

Hussain Maki Khammas  
Minister of Defence

Abdul Ghani El Dallil  
Minister of Agricultural

Rufael Batti  
Minister without portfolio

Mohamad Shafiq El Ani  
Minister without portfolio  
& Acting Minister of Social  
Affairs



**LAW No. ( 45 ) OF 1950  
AMENDING THE LAW OF THE ESTABLISHMENT OF AGRICULTURAL  
BANK OF 1940**

---

With the approval of the senate and the chamber of deputies we order the enactment of the following law:-

**Article 1-** The phrase "Fivehundred thousand Dinners" mentioned in the paragraph (1) of article (3) of the Bank law deleted and replaced by the phrase "One million Dinners".

**Article 2-** The following paragraph be added to the end of article (2):-

17- Credit be grant to the Cotton merchants, the total amount of which should not exceed ID. 7/500 for each merchant or Company at a rate not exceeding (60%) of the cost of the Compressed Cotton stored in ginning mill and in which the Bank rights are secured.

**Article 3-** The following be added as second paragraph to article (3) of the law and paragraph (2) should be designated as paragraph (3).

2- The Bank which is established in accordance with paragraph (A) of article (3) should contract loans by issuing bonds or by other means according to the conditions decided upon by the administration Council of the Bank and approved by the Minister of Finance whether these loans are guaranteed by the Government or without its guarantee.

**Article 4-** The words " A period of one year " mentioned in the paragraph (2) of the article (9) be deleted and substituted by the words " For a period not exceeding three years ".

**Article 5-** This law shall come into force with effect from the official government gazette.

**Article 6-** Minister of Finance is charged with the execution of this law.

Made at Baghdad on this day of 20th of Shaaban 1369 and the day 15th of June 1950.

Abdul Ilah

Tawfik El Suwaidi  
Prime Minister

Abdul Karim El Uzri  
Minister of Finance

---

Published in Waqia El Iraqia No. 2847 dated 15/6/1950.



**NOTIFICATION**  
**REGARDING AMENDMENT OF THE CONTRACT OF THE ESTABLISHMENT**  
**OF THE AGRICULTURAL BANK OF IRAQ.**

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- 1- The Council of Ministers in the decision made in his meeting on 15/5/1953 approved the cancellation of article (5) of the contract of the establishment of the Agricultural Bank and its replacement by the following:-
  - 5- The Bank should form his annual profits and when his reserve capital become equal to his fixed capital should pay to the Government treasury all the net profits gained from his annual transactions in repayment of the paid capital.
- 2- The Council of Ministers has also approval in his decision in question the deletion of phrase (500 000) Dinnars mentioned in the article (4) of the contract and substituted by the phrase " Two million Dinnars " thus the Bank Capital will be Two million Dinnars.

Minister of Finance

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Published in Waqia El Iraqia No. 3281 dated 13/7/953.



AMENDMENT TO THE REGULATION OF AGRICULTURAL BANK No. 40 of 1947

In accordance with the article (7) of the law for the establishment of Agricultural Bank No. (18) of 1940 and pursuant to the proposal by Minister of Finance and with the approval of the Council of Ministers we order the enactment of the following regulation:-

Article 1- The words " Two years " mentioned in the paragraph (B) of article (3) of the Agricultural Bank regulation No. 40 of 1947 be deleted and replaced by the words " Three years ".

Article 2- This regulation shall come into force from the date of its publication in the Official Government Gazette.

Article 3- Ministers of Interior, Finance and Justice are charged with the execution of this regulation.

Made at Baghdad this day of 17th of Rabia El Aweel of 1371 and the 17th of Dec. 1951.

Abdul Ilah

Noori El Said  
Prime Minister

Omer Nadhmi  
Minister of Interior

Majid Mustefa  
Minister of Social Affairs

Jamil Abdul Wehab  
Minister of Justice

Abdul Majid Mahmood  
Minister of Economic

Mustafa El Umeri  
Minister without Portfolio

Mohamad Hassan Kubbe  
Minister without portfolio

Shakir El Wadi  
Minister of Defence

Dhia Jaafer  
Minister of Communication &  
Works And Acting Minister  
of Finance

Khalil Kanne  
Minister of Education

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Published in Waqia El Iraqia No. 3049 dated 27/12/1951.



**LAW AMENDING THE LAW OF THE ESTABLISHMENT OF THE AGRICULTURAL  
BANK No. 45 of 1950**

---

With the approval of the Senate and Chamber of Deputies we  
sanctioned the following law:-

- Article 1- The phrase " One million Dinners" mentioned in the paragraph (1) of article (3) of the law No. 18 of 1940 amended in article (1) of the No. (45), of 1950, as amended, be added and substituted by the phrase " Two million Dinners "
- Article 2- The payment equal to the unpaid amount of the Bank Capital in question should be made to the Government Treasury from the reserve amount.
- Article 3- This law shall come into force from the date of its publication in the Official Government Gazette.
- Article 4- The Minister of Finance is charged with the execution of this law.

Made at Baghdad on this day 18th of Jamai El Thani 1371 and the day of 15th March 1952.

Abdul Ilah

Noori El Said  
Prime Minister

Dhia Jaafer  
Acting Finance Minister

---

Published in Waqia El Iraqia No. 3075 of 20/3/952



REGULATOR No. (3) OF 1953

AMENDING THE REGULATION OF THE AGRICULTURAL BANK No. 40 OF 1947.

In accordance with article (7) of the law for the establishment of the Agricultural Bank No. (18) of 1940 and pursuant to the proposal by the Minister of Finance and with the approval of the Council of Ministers we ordered the enactment of the following regulation:-

Article 1- The following phrase be added to the end of paragraph (A) of article (13) of the regulation of the Agricultural Bank No. 40 of 1947

50% of the cost of machines and agricultural implements.

Article 2- This regulation shall come into force from the date of its publication in the official Government Gazette.

Article 3- Minister of Finance is charged with the execution of this regulation.

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Published in Waqia El Iraqia No. 3226 dated 9/3/1953.



# Amendments to Agricultural Bank Law To be translated

CH

رقم ( ٤٥ ) لسنة ١٩٥٠

قانون تعديل قانون تأسيس مصرف زراعي لسنة ١٩٤٠

=====

بموافقة مجلسي الاعيان والنواب امرنا بوضع القانون الآتي . .

المادة الاولى - تحذف عبارة ( خمسمائة ألف دينار ) من الفقرة الاولى من المادة الثالثة

من قانون المصرف وتحل محلها عبارة ( مليون دينار )

المادة الثانية - يضاف الى آخر المادة الثانية الفقرة الآتية . .

١٧ - تسليف تجار القطن مبالغ لا يتجاوز مجموعها ( ٥٠٠ ر ٧ ) دينار لكل تاجر

او شركة تجارية ونسبة لا تتجاوز ( ٦٠ ٪ ) من ائتمان الاقطنان المكبوسة

والمخزونة في المحالج والمؤمنة حقوق المصرف بها .

المادة الثالثة - يضاف ما يلي فقرة ثانية للمادة الثالثة من القانون وتصبح الفقرة

الثانية منها فقرة ثالثة .

٢ - للمصرف المؤسس وفق الفقرة ( آ ) من المادة الثالثة أن يعقد القروض -

باصدار السندات او بإحدى طريقة اخرى بالشروط التي يقررها مجلس إدارة

المصرف ويوافق عليها وزير المالية سواء كانت هذه القروض بضمان الحكومة

او بدون ضمانها .

المادة الرابعة - تحذف عبارة ( مدة سنة ) الواردة في الفقرة ( ٢ ) من المادة التاسعة

وتحل محلها عبارة ( مدة لا تتجاوز ثلاث سنوات ) .

المادة الخامسة - ينفذ هذا القانون اعتبارا من تاريخ نشره في الجريدة الرسمية .

المادة السادسة - على وزير المالية تنفيذ هذا القانون .

كتب ببغداد في اليوم العشرين من شهر شعبان سنة ١٣٦٩ واليوم الخامس من شهر

حزيران سنة ١٩٥٠

عبد الله

توفيق السويدي

رئيس الوزراء

عبد الكريم الازري

وزير المالية

نشر بالوقائع العراقية عدد ٢٨٤٧ بتاريخ ١٥/٦/١٩٥٠

اكرم



# رقم (٦١) لسنة ١٩٥١

## نظام

تعديل نظام المصرف الزراعي رقم ٤٠ لسنة ١٩٤٧

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استنادا الى المادة (٧) من قانون تأسيس مصرف زراعي رقم ١٨ لسنة ١٩٤٠ وبناء على ما عرضه وزير المالية ووافق عليه مجلس الوزراء اُمرنا بوضع النظام الآتي :-

المادة الاولى - نحذف كلمة ( ستين ) الواردة في الفقرة ( ب ) من المادة الخامسة من نظام المصرف الزراعي رقم ( ٤٠ ) لسنة ١٩٤٧ وتحل محلها جملة ( ثلاث سنوات ) .

المادة الثانية - ينفذ هذا النظام من تاريخ نشره في الجريدة الرسمية .

المادة الثالثة - على وزراء الداخلية والمالية والعدلية تنفيذ هذا النظام .

كتب ببغداد في اليوم السابع عشر من شهر ربيع



الاول سنة ١٣٧١ واليوم السابع عشر من شهر كانون  
الاول سنة ١٩٥١ .

عبدالله

نوري السعيد  
رئيس الوزراء

مصطفى العمري  
وزير بلا وزارة

عمر نظمي  
وزير الداخلية

محمد حسن كبه  
وزير بلا وزارة

ماجد مصطفى  
وزير الشؤون الاجتماعية

شاكر الوادي  
وزير الدفاع  
ووكيل وزير الخارجية

جميل عبدالوهاب  
وزير العدلية

ضياء جعفر  
وزير المواصلات والاشغال  
ووكيل وزير المالية

خليل كنه  
وزير المعارف

عبدالمجيد محمود  
وزير الاقتصاد

---

نشر في الوقائع العراقية بعدد ٣٠٤٩ في ٢٧-١٢-١٩٥١



قانون

تعديل قانون تأسيس مصرف زراعي رقم ( ٤٥ ) لسنة ١٩٥٠

=====

بموافقة مجلسي الاعيان والنواب بعد قنا القانون

الآتسي . .

المادة الاولى - تعذف عبارة ( مليون دينار ) الواردة في الفقرة الاولى  
من المادة الثالثة من القانون رقم ( ١٨ ) لسنة ١٩٤٠  
المعدلة في المادة الاولى من قانون التعديل رقم ( ٤٥ ) لسنة  
١٩٥٠ وتحل محلها عبارة ( مليوني دينار ) .

المادة الثانية - يسد ما يعادل المبلغ غير المدفوع من رأس مال المصرف  
المذكور من المال الاحتياطي للخرينة العامة .

المادة الثالثة - ينفذ هذا القانون من تاريخ نشره في الجريدة الرسمية .

المادة الرابعة - على وزير المالية تنفيذ هذا القانون .

كتب ببغداد في اليوم الثامن عشر من شهر جمادى الثاني سنة

١٣٧١ واليوم الخامس عشر من شهر مارت سنة ١٩٥٢ .

عبد الله

نوري السميت  
رئيس الوزراء

ضياء جعفر  
وكيل وزير المالية

( نشر في الوقائع العراقية عدد ٣٠٧٥ في ٢/٣/١٩٥٢ )



رقم ( ٣ ) لسنة ١٩٥٣

نظام

تعديل نظام المصرف الزراعي رقم ٤٠ لسنة ١٩٤٧

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استنادا الى المادة السابعة من قانون تأسيس مصرف زراعي رقم (١٨) لسنة ١٩٤٠ وبناء على ما عرضه وزير المالية ووافق عليه مجلس الوزراء امرنا بوضع النظام الآتي :-

المادة الاولى - تضاف العبارة الآتية الى آخر الفقرة (١) من المادة (١٣) من نظام المصرف الزراعي رقم ٤٠ لسنة ١٩٤٧ .  
( ٥٠ ) بالمائة من قيمة المكائن والآلات الزراعية .

المادة الثانية - ينفذ هذا النظام من تاريخ نشره في الجريدة الرسمية .

المادة الثالثة - على وزير المالية تنفيذ هذا النظام .

نشر في الوقائع رقم ٢٠٠٦ وتاريخ ٩٥٤٤٩  
اكرم



ان  
حول تعديل العقد التأسيسي للمصرف الزراعي العراقي

- ١ - وافق مجلس الوزراء بقراره المتخذ في جلسته المنعقدة في ١٤ / ٥ / ١٩٥٣ على الخطة العامة الخامسة من عقد تأسيس المصرف الزراعي والاستعاضة عنها بما يلي :-
  - ٥ - على المصرف تكوين رأس مال احتياطي له من ارباحه السنوية وعندما يصبح رأس ماله الاحتياطي مساويا لرأس ماله المقرر عليه ان يدفع الى الخزينة العامة جميع الارباح الصافية التي تتجسم عن اعماله سنويا ايضا " لرأس المال المدفوع "
- ٢ - كما وافق المجلس المشار اليه بقراره انفا الذكر على حذف جملة ( ٥٠٠٠٠٠ ) دينار الواردة في المهادنة الرابعة من العقد واحلال جملة ( مليوني ) دينار محلها وبذلك يكون رأس مال المصرف المقرر مليوني دينار "

وزير المالية

نشر في جريدة الوقائع العراقية رقم ٣٢٨١ وتاريخ ١٣ / ٧ / ١٩٥٣



## نحن فيسئل الثاني ملك المملكة

بعد الاطلاع على الفقرة الاولى من المادة السادسة والمشرعين من القانون الاساسي واستنادا الى المادة السابعة من قانون تأسيس مصرف زراعي رقم ١٨ لسنة ١٩٤٠ وبنا على ما عرضه وزير المالية ووافق عليه مجلس الوزراء أمرنا بوضع النظام الآتي :-

المادة الاولى - تلتزم المادة الحادية عشرة من نظام المصرف الزراعي رقم ٤٠ لسنة ١٩٤٧ ويعمل محلها ما يلي :-  
المادة الحادية عشرة - تشمل الجمعيات التعاونية الزراعية التي تعمل تحت اشراف خبراء وزارتي الاقتصاد والزراعة بمسألة ممتلكاتها مبالغ يقررها المجلس حسب حاجة الجمعية لإدارة أمورها الزراعية والصناعية الريفية بقاعدة لا تزيد على ( ٣ ٪ ) سنوياً .

المادة الثانية - تنفذ الفقرة الآتية على المادة ( ١٣ ) من النظام المذكور وتعتبر فقرة ( د ) لها :-  
د - للمصرف با لاتفاق مع مصلحة الآلات والمكينات الزراعية ان يتوسط في شراء المكينات والآلات الزراعية الجديدة للسؤال من الشركات المستقبلة وتسليفهم لهذا الغرض ما لا يتجاوز ( ٨٠ ٪ ) من اثمانها على ان تتعهد الشركة للمصرف بأن تؤدي خدمات مجانية للزراع معينين باتفاق خاص وان تشمل نيف المكينات التي قد تنجم عن التسليف المذكور .

المادة الثالثة - ينقل هذا النظام من تاريخ نشره في الجريدة الرسمية .

المادة الرابعة - على وزير المالية تنفيذ هذا النظام .

نقذ ببغداد في اليوم الثالث عشر من شهر جمادى الاولى سنة ١٣٧٢ الموافق لليوم الثامن عشر من شهر شعبان  
قانون الثاني سنة ١٩٥٤ .

فيسئل

محمود فاضل الجمالي  
رئيس الوزراء

علي حيدر سليمان  
وزير الاعمار  
محمود فاضل الجمالي  
وزير المالية  
ووكيل وزير المواصلات والاشغال  
محمود فاضل الجمالي  
وزير الداخلية  
عبد الله حيدر الجمالي  
وزير الصحة  
اركان عيسى حيدر الجمالي  
وزير التعليم العالي  
محمود فاضل الجمالي  
وزير الزراعة  
ووكيل وزير الاقتصاد

محمود علي محمود  
نائب رئيس الوزراء  
ووكيل وزير المعارف  
عبد الكريم الاقرع  
وزير المالية  
عبد المهيمن القديري  
وزير المعارف

محمود فاضل الجمالي  
وزير الدفاع  
عبد الله النسي الدلي  
وزير الزراعة  
رفاعة فاضل الجمالي  
وزير بساتين وزاد  
محمود فاضل الجمالي  
وزير بساتين وزاد  
ووكيل وزير الشؤون الاجتماعية

نشر في الوقائع السرائية عدد ( ٣٣٠٤ ) وتاريخ ١٩٥٤/٢/٤ .



## نظام تعديل

### النظام الداخلي

### للمصرف الزراعي

المادة الاولى - تحذف جملة (وزارة الاقتصاد) الواردة في الفقرة (ج) من المادة الاولى (١) من النظام الداخلي للمصرف الزراعي ويحل محلها جملة (وزارة الزراعة) •

المادة الثانية - تضاف عبارة (عدا القرارات المتعلقة بالتسليف على اختلاف انواعه التي تعتبر قطعية بمجرد صدورها من المجلس) بعد كلمة (الجلسة) الواردة في الفقرة (٣) من المادة الثانية من النظام الداخلي للمصرف الزراعي •

المادة الثالثة - ينفذ هذا النظام من تاريخ نشره في الجريدة الرسمية •

المادة الرابعة - على وزير المالية تنفيذ هذا النظام •

نشر في الجريدة الرسمية رقم ٢٢٦ و ٢٢٧ في ٢٢/٤/٥٤



AGRICULTURE - Credit 1952 thru 1954

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Number (45) year 1950

Amendment of Agricultural Bank's Law year 1940

*File  
Sup. In Credit*  
**FILE COPY**

Upon the agreement of the lower house and the Senate, we have ordered the establishment of the following law.

Article one - The phrase reading (five hundred thousand dinars) of paragraph one of article three of the bank's law is to be deleted and substituted by (one million dinar)

Article two - The following paragraph, is to be added to the end of the second article.

17- Lending the cotton's merchants amounts not more than (7,500) dinars as total to each merchant or commercial company in a proportion not more than 60 % of the cotton's value which compressed and stored in the gin-house and through which the bank's rights are insured.

Article three - To add a second paragraph to article three and its second paragraph becomes third para.

*According*  
2- ~~According~~ to para. (a) of article three the established bank is to make the *advancing* ~~lending~~ contracts by issuing stocks or by any other method according to the conditions decided by the council of the bank's directorate and approved by the minister of finance, whether these *advances* ~~lendings~~ were insured by the government or not. ~~article~~

Article four - The phrase reading (one year) of para. (2) of article nine is to be deleted and substituted by (a period not more than three years)

Article five - This Law will take effect from the date of its publication there of in the official paper.

Article six - Minister of Finance will implement this Law.

Written in Baghdad, the twentieth of Sha'aban year 1369.  
The fifth of June 1950.

Abdul-Karim Uzri  
Minister of Finance

Abd El Illah  
Towfik El Suwaidi  
Prime Minister

Published in the gazette paper Number 2847, date 15-6-1950.



Number (61) year 1951

Regulation

Regulation amendment of the Agricultural Bank No. (40) for the year 1957.

Pursuant to article (7) of Law of Agricultural Bank's establishment No. 18 ~~for the year 1940~~ and according to the proposal of the ~~Ministry of~~ <sup>Minister</sup> Finance and the Ministers' Cabinet agreed on it. We have ordered to establish the following regulation:-

Article one - The word (two years) which is in paragraph (b) of article five of the Agricultural Bank's regulation No. (40). Year 1947 is to ~~be~~ deleted and substituted by (three years).

Article two - This Law will take effect from the date of its publication thereof in the official paper

Article three - Ministers of Interior, Finance and Justice, will implement this Law.

Written in Baghdad on the seventeenth of Rabi Al Awal. Year 1371.  
And the seventeenth of Dec. 1951.

Mustaffa Al Umary  
Minister without Ministry

Abd El Illah  
Nuri El Said  
Prime Minister

Muhammed Hassan Kubba  
Minister without Ministry

Omar Nadmi  
Minister of Interior

Shakier El Wadi  
Minister of Defence  
and ~~minister of foreign affairs~~  
agent of ~~minister of foreign affairs~~

Majid Mustaffa  
Minister of Social affairs

Dia Jaffer  
Minister of work and communica-  
tion, and ~~minister of finance~~ agent of ~~minister of finance~~

Jamil Abd El Wahab  
Minister of Justice

Abd Al Majid Mahmood  
minister of Economics

Khalil Kana  
Minister of Education

Published in the Iraq Gazette . No. 3049 In 27-12-1951.



( 3 )  
Number (17) Year 1952

Amendment of Agricultural Bank's Law NO. (45) Year 1950

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Upon the agreement of the lower House and the Senate, we have approved the following Law.

Article one - Statement reading (one million Dinars) in para. one of article three, of law Number (18) year 1940 which is amended in article one of amendment Law Number (45) year 950 is to be deleted and substituted by (Two million dinars).

Article two - Equivalent amount to that of unpaid up capital of the bank shall be drawn from the reserve of the general treasury .

Article three - This Law will take effect from the date of its publication in the official paper.

Article four - Minister of Finance will implement this Law.

Written in Baghdad the eighteenth of Jemadi The Second, Year 1371.  
the fifteenth of March 1952.

Dia Jaffar  
Agent of Minister of Finance

Abd-El Illah

Nuri El Said  
Prime Minister

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Published in Iraq Gazette. No. 3075 . Date 20-3-1952.



( 3 )  
Number (17) / Year 1952

Amendment of Agricultural Bank's Law NO. (45) Year 1950

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Upon the agreement of the lower House and the Senate, we have approved the following Law.

Article one - Statement reading (one million Dinars) in para. one of article three, of law Number (18) year 1940 which is amended in article one of amendment Law Number (45) year 950 is to be deleted and substituted by (Two million dinars).

Article two - Equivalent amount to that of unpaid up capital of the bank shall be drawn from the reserve of the general treasury .

Article three - This Law will take effect from the date of its publication in the official paper.

Article four - Minister of Finance will implement this Law.

Written in Baghdad the eighteenth of Jemadi The Second, Year 1371.  
the fifteenth of March 1952.

Dia Jaffar  
Agent of Minister of Finance

Abd-El Illah

Nuri El Said  
Prime Minister

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Published in Iraq Gazette. No. 3075 . Date 20-3-1952.



(4)

No. (3) Year, 1953.

Regulation

A mendment of the Agricultural Bank's Regulation No. (40) year 1947.

According to article seven of Law of Agricultural Bank's establishment Number (18) year, 1950. and according to the proposal of the Minister of Finance and was agreed on by the Minister's Cabinet . We ordered to establish the following regulation :-

Article One - The following statement is to be added to the last part o f paragraph (a) article (13) of the agricultural Bank's regulation Numbers (40) year, 1947.

(50) percent of the machines and the agricultural equipment's value.

Article two - This Law will take effect from the date o f its publication thereof in the official paper.

Article three - Minister of Finance will implement this Law.

Published in Iraq Gazette. No. 3226 Date 9-3-1953.



Declaration

Concerning the Amendment of the  
Iraqi Agricultural Bank's Contract

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1- The Ministers' Cabinet Agreed in its decision which was taken in its meeting held in 16-5-953 to delete article (5) of the Agricultural Bank's contract and to be substituted by the following.

5. The Bank should raise precautional fund from its yearly profits and when its precautional fund becomes equivalent to its assumed fund, the Bank should pay to the general treasury all the net profits which is raised through its activities yearly so as to cover the paid fund.

2- The mentioned council agreed also in its mentioned decision to delete sentence reading (500000) dinar in para. 4. of the contract and substitute it by (two million) dinars. That means the decided fund of the bank will be (two million) dinars.

Minister of Finance

Published in Iraq Gazette paper No. 3281      Date 12-7-1953.



Regulation

Amendment of the agricultural Bank No. 40 year 1947.

We Faisal the Second King of Iraq.

After being acquainted with the article twenty sixth from the constitutional Law and according to article seven of Law of Agricultural Bank's establishment Number 18 year 1940. and in accordance to the proposal of the minister of Finance which the Minister's Cabinet agreed upon. We ordered to establish the following regulation.

Article One - Article eleven is to be deleted from the agricultural Bank's Regulation number 40 year 1947 and Substituted by the following.

*those societies*  
*advocate*  
Article eleven - The agricultural ~~cooperative~~ *cooperative* Societies that work under the supervision of the two ministries' experts, Ministry of economics and Ministry of Agriculture, ~~which~~ *are* guaranteed by their properties are to ~~be~~ *be given* ~~the~~ *the* ~~amounts~~ *amounts* decided by the council according to the society's needs so as to direct its rural agricultural and industrial affairs with a profit not more than 3 % yearly.

Article two - The following paragraph is added to article (13) of the mentioned regulation and para. (d) is considered that it belongs to it:-  
d-The Bank may, with the agreement of the agricultural Machinery and Equipment Service mediate for the purchase of new agricultural machinery equipment for the farmers from companies of repute, and for this purpose to advance them an amount not exceeding 80 % of the cost there of, provided that the company would guarantee to the Bank that it would render free services to the farmers, to be determined by a special agreement and that it would ~~defray~~ *defray* half the losses which may result from the said advance.

Article three- This regulation will take effect from the date of its publication thereof in the official paper.

Article four - Minister of Finance will implement this regulation

Written in Baghdad in the thirteenth of month Jumadi Al Ola year 1972. Which is the eighteenth of Jannary 1954.

Faisal

Muhamed Ali Mahmood  
Prime Minister's Agent  
and Minister of Foreign  
Affairs' Representative

Abd El Karim El Uzry  
Minister of Finance

Abd El Majied El Qassab  
Minister of Education

Muhamed Fadil El Jamali  
Prime Minister

Ali Haider Sulaiman  
Minister of Development

Jamil El Urfali  
Minister of Justice and  
Communication ' Representa-  
tive.

(continued)



Husain Makky Khamas  
Minister of Defence

Abd El Ghani El Delli  
Minister of Agriculture

Rufaiel Batty  
Minister without Ministry

Muhamed Shafeek El Aani  
Minister Without Ministry  
and Minister of Social Affairs'  
Representative.

Saa'd Kazzaz  
Minister of Interior

Abd El Amir Allawi  
Minister of Health

Arkan Abbadi  
Minister without ministry

Sadik Kamoona  
Minister without ministry  
and minister of Economics  
Representative

*Iraq Gazette*

It was published in ~~the El Waqa'ii Al Iraqia~~ No. (3354) and  
Date 4-2-1959.



Amendment Regulation of the Agricultural Bank's interior Regulation.

Article one- Sentence reading (Ministry of Economics in para. (c) of article one is to be deleted from the agricultural bank's interior regulation, and substituted by (ministry of Agriculture).

Article two- After the word (the meeting) in para. (3) article(2) of the agricultural bank's interior regulation the following para. <sup>is to be</sup> added (except the decisions relating to advance in all its ~~kind~~ <sup>kind</sup> which is considered definite as soon as it is forwarded from the council)

Article three- This regulation will take effect from the date of its publication in the official paper.

Article four- Minister of Finance will implement this regulation.

Published in the official paper No. 3360 Date 22-2-54.



Files

May 27, 1953

Lewis H. Rohrbach

FILE COPY

May 27, 1953, Telephone Call from Akrim Zainal,  
Director of the Agricultural Bank

Agriculture  
Ministry of Finance  
Agricultural Credit

1. Supervised Credit Project: AZ indicated he had had from this office a copy of my letter to the Minister of Finance. He reported that he had had a long conference with the Minister of Finance and that the latter is much in favor of the proposed project. AZ said that within two or three days he expected to get final full approval for participation in the project from the Board of the Agricultural Bank and then would immediately contact us to the end that we can arrange between us a final project agreement, with the two or three amendments which he says the Bank has in mind. I expressed our gratification at this and indicated that we are willing to sit down with him, and anxious to, at the first opportunity.

2. Zainal's Extra Money for Travel Costs when in the US on a Leader Grant: Zainal, who is not always the most accurate of persons in his statements, said that he had written concerning the extra \$150 expenditures for which he is trying to get reimbursement from TCA to the Iraq Embassy in Washington. Earlier he had taken up the matter here and, as I recall, Dr. Smith had put the matter up to Washington and had since received from Zainal one or two inquiries which he (Dr. Smith) had acknowledged. So far as I know no definite word has come from Washington. Zainal said that the Embassy in Washington got in touch with the Department of Agriculture and was informed by a Miss Gaghan that the Department of Agriculture had sent to TCA/Iraq its sanction for the payment of the listed costs. He said that he had received a second letter from the Embassy indicating that the representative of the Embassy planned to talk to Donald McDonald in USDA's FAS, who is Miss Gaghan's superior. I indicated that I thought, although I was not personally familiar with the matter, that we had not had word from Washington on it but that I would ask Dr. Smith to check this one way or the other and get in touch with Akrim Zainal. AZ said that he had written TCA/Iraq twice on the matter in the last eight months and had had no response. I said that I thought surely he was in error on this since I could, myself, recall having sent a communication to him on it but I indicated in any event we would check and send him a copy of what had been sent, and would certainly notify him as to whether or not we had had word from Washington on the claim itself.

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100-112-10000



Files

Technical Cooperation Administration,  
474 Rashid Street,  
Baghdad, Iraq,  
May 23, 1953.

His Excellency  
Ali Muntaz,  
The Minister of Finance,  
Baghdad, Iraq.

FILE COPY

Excellency:

I am writing about the proposed project for Supervised Agricultural Credit now being negotiated with the Agricultural Bank, but having just read your Budget speech to Parliament, ask the privilege of adding my own compliments to what must already be a great round of applause. Recognizing that I may be expressing myself somewhat in cliches, I hope you will, nevertheless, believe me wholly sincere in saying that the speech was not only comprehensive in coverage and constructive in approach, but indicative of an unusual grasp of the historic stage of social and economic development here in Iraq. It was, for these reasons, one of the finest instances of a statesmanlike approach that I have encountered since I have been in the country. Leadership such as yours is one of the best assurances that the Government of Iraq will continue strong.

As far as the report to you of the Board of Directors of the Agricultural Bank is concerned, I am very pleased with it. The Board and Director Zainal had obviously made a most intensive study of the two basic reports on the matter that we had sent to them. For my part, I hope that you will feel that this project for supervised agricultural credit, when it is implemented, is an important element of "social and economic reform" emphasized in your speech as one of the three vital principles upon which your budget presentation was based.

If it is not too much, I would like to request that you continue to take a detailed interest in this supervised agricultural credit project. It is the type of reform project that I like best because it is so adapted to evolutionary growth. It can start small and yet the prospects for its development are, in my estimation, extraordinarily

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great. It will be a pleasure if we can keep closely in touch with you in all aspects of its development; and in this matter, I am sure Director Zainal and the Board of Directors of the Agricultural Bank are in full agreement. I shall, in time, be proposing to Director Zainal a field inspection trip for and with you to view the project in operation after the United States specialist has been here long enough to get, so to speak, his feet on the ground.

Sincerely yours,

Lewis H. Rohrbaugh  
Director of Technical Cooperation

cc: Director Akram Zainal



77  
474 Rashid Street,  
Baghdad, Iraq,  
April 29, 1953.

Mr. Akram Zainal, Director,  
Agricultural Bank,  
Baghdad, Iraq.

Dear Mr. Zainal:

My letter of March 26th transmitted a draft project arrangement in Supervised Agricultural Credit to you for consideration by the board of the Agricultural Bank. We are sure that you agree that this project can be the basis for assisting many small farmers in Iraq in the Expansion of their production and ultimately the raising of the living standard of many people in Iraq.

I understand that the board of the Agricultural Bank met last week to discuss this project arrangement. My office is, of course, very interested in starting this cooperative project in Supervised Agricultural Credit as soon as your organization feels that cooperation would be profitable.

May we expect to hear from you soon with regard to this very important matter?

Very truly yours,

Lewis H. Rohrbaugh,  
Director of Technical Cooperation

V.W.  
VWolf/mk

500.112  
Agricultural Credit



UNCLASSIFIED

AMEMBASSY, BAGHDAD

TOTEC-176

April 7, 1953

AIR POUCH

SUPERVISED FARM CREDIT PROJECT

Agriculture in Iraq is still organized dominantly on a feudalistic basis. Family-sized owner-operated farm units are few and far between and forces favoring the development of a capitalistic agriculture are still weak. The Mird Sird Land Development program, which looks to the distribution of publicly owned land to independent farm operators, is moving ahead rather slowly and there is critical need to further strengthen the movement toward private farm ownership by making credit available to those wishing to borrow for purposes of farm production or land purchase. Most aspiring farm operators in Iraq (the fellahin) are not, however, ready to borrow and manage credit without help and supervision. They must be assisted in their first efforts at independent management and the type of credit needed is the so-called supervised credit.

To explore the basis for a liberalization of lending policies of the Agricultural Bank for the purpose of having it offer supervised credit to tenants and prospective land purchasers, two conferences were held with the Managing Director of the Bank, Mr. Akram Alinal. Out of these conferences there came a proposal for a supervised credit project. Later on this proposal was also brought to the attention of the Minister of Finance and agreement was reached that a project arrangement providing for a cooperative program of work in supervised farm credit should be drafted. A copy of the draft project arrangement together with the letter of transmission is attached hereto.

If the Iraq Government approves the project arrangement for implementation TCA/Iraq will propose an adjustment in the overall program so as to permit this project to be carried on within the limits of the 125-man ceiling now in effect.

For the Ambassador:

Lewis H. Rohrbaugh  
Director, Technical  
Cooperation Administration

Enclosures

CHAMAR

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TCA

500.172 Ag Credit



UNCLASSIFIED

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TOTEC 176  
Baghdad

Technical Cooperation Administration,  
Baghdad, Iraq,  
March 26, 1953.

Mr. Akram Zainal,  
Director,  
Agricultural Bank,  
Baghdad, Iraq.

FILE COPY

Dear Mr. Zainal:

Pursuant to our understanding on March 14, when Mr. Hancock, Dr. Hammar and I talked with you about a project in SUPERVISED AGRICULTURAL CREDIT, we have prepared a new proposal for a project encompassing both production and land purchase credit.

All of the projects undertaken jointly by TCA and the various agencies of the Iraq Government are established on the basis of Project Arrangements such as this. This procedure meets the approval of the Ministry of Foreign Affairs, and when acknowledged by the Ministry of Foreign Affairs in behalf of the Iraq Government, TCA is prepared to proceed in cooperation with the agency of the Iraq Government concerned. In this instance, it will be your bank.

Would you please give this draft Project Arrangement your careful attention and discuss it with us again. If we include in this draft all the suggestions which you care to make, the clearance with the Finance Ministry and your bank can be expedited after its receipt in final form by the Ministry of Foreign Affairs.

Very truly yours,

Louis H. Rohrbaugh  
Director of Technical Cooperation



PROJECT ARRANGEMENT NO. AG.

PROJECT TITLE: SUPERVISED AGRICULTURAL CREDIT

Pursuant to the General Agreement for Technical Cooperation between the Governments of Iraq and the United States of America dated at Baghdad, Iraq, on April 10, 1951, becoming effective on June 2, 1951, and subsidiary to the Agreement for a Cooperative Program in Agriculture embodied in the exchange of notes between the two governments on November 19, 1951, and March 18, 1952, this Project arrangement is entered into between the Government of Iraq, represented by the Ministries of Foreign Affairs and Finance, and the Technical Cooperation Administration of the United States Embassy in Iraq, represented by the Director of Technical Cooperation and the Chief, Division of Agriculture.

### Problems and Objectives

Modernizing the farming of Iraq and encouraging farm ownership by purchasing will require a greatly enlarged use of agricultural credit. Credit is needed for buying agricultural machinery, purchasing supplies, livestock and better tools, for improving housing, irrigation and drainage on farms and for purchasing land for the establishment of new farms or the enlargement of existing farms too small for efficient operation. Proper use of supervised agricultural credit is one of the best methods for introducing new techniques and methods in agriculture, since most new methods or practices require the use of additional funds. By the introduction of improved methods and practices, it will be possible to increase per acre production and improve the standard of living of the farmers. The problem, therefore, is to expand the use of agricultural credit in Iraq in such a manner that its use will actually increase production and raise standards of living.

Unsupervised lending to small farm operators has resulted in foreclosures in as many as 50 per cent of the cases and does not appear to have served effectively as a means of increasing production and raising standards of living on small farms. To achieve these results through the use of credit, the credit must be given under conditions of close supervision.

Supervised agricultural credit is for the benefit of small or family-size farm operators possessing little security and lacking sufficient managerial ability to benefit and grow through the use of normal credit. The supervision and guidance in the use of borrowed funds is, therefore, a form of subsidy to the class of borrowers for which this type of credit is applicable. The supervision compensates for the borrowers' deficiencies in property and managerial ability.

The object of this Project is to introduce into Iraq on a demonstration basis the use of supervised agricultural credit as a means of instructing small farmers in this powerful instrument for increasing farm production and income, encouraging independent ownership of small farms, and raising standards of living on the farms.



To introduce supervised agricultural credit into Iraq, the following shall be undertaken jointly by the Agricultural Bank of Iraq and the Technical Cooperation Administration in Iraq, to the extent of funds, services, facilities, supplies and equipment provided pursuant to this arrangement.

I. Selection of Demonstration Area

One or two Qadas shall be selected in which supervised agricultural loans will be made. The Qada or Qadas selected shall have a considerable number of small farmers who own their land or who rent small farms and who desire to purchase. There should also be land in the vicinity which could be purchased with money borrowed under this Project. The Qada or Qadas shall be selected by mutual agreement between the Agricultural Bank and the Technical Cooperation Administration in Iraq.

II. Personnel

A. The Technical Cooperation Administration shall provide one qualified Agricultural Credit Specialist to take charge of field operations in the selected Qada or Qadas.

B. The Agricultural Bank shall provide two qualified Iraqis to serve as Assistant Credit Supervisors in the selected Qada or Qadas. These assistants shall be selected with the prospect in mind that they will, in time, themselves become credit supervisors as the program is expanded to additional Qadas.

III. Provision of Funds, Supporting Services and Facilities

A. The Agricultural Bank shall provide the funds to be lent under this project.

B. The Agricultural Bank shall pay the administrative costs incidental to the operation of this Project, and shall provide suitable office facilities, secretarial and clerical services in the Agricultural Bank and in the Qadas where loans are made.

C. The Agricultural Bank shall provide all necessary travel and transportation including subsistence and lodging while traveling within Iraq for the Agricultural Credit Supervisor and the two assistants.

D. The United States Government shall pay the salary and allowances of the Agricultural Credit Supervisor and shall pay the costs of international travel for him and his family and the transportation of their household effects.



#### IV. Project Direction

The Project shall be under the direction of the Agricultural Credit Supervisor, functioning under the general supervision of the Director of the Agricultural Bank according to the rules and regulations of the Bank and such special rules as may be established by the Bank to facilitate the operation of this Project.

#### V. Plan of Operation

A. Loans made under this Project shall be for both production and land purchases. Loans shall be made only to bonafide experienced farmers who cannot obtain satisfactory credit elsewhere and who reside in the selected Qada or Qadas.

B. Interest charged for loans shall be in accordance with the usual practice of the Bank.

C. The use of borrowed funds for the purchase of household equipment and consumable items shall be limited to not more than 20 per cent of any one loan.

D. All loans shall be secured by mortgage on equipment, livestock, land or by a crop lien on crops produced and for sale.

E. Production loans shall be for such periods as the Agricultural Credit Supervisor shall approve but shall not exceed three years. However, production loans may be renewable for another additional period of not to exceed three years at the discretion of the Agricultural Credit Supervisor, provided, however, that no more than one renewal shall be allowed except with the written permission of the Director of the Agricultural Bank.

F. Loans for purchases of real estate shall not exceed 50 per cent of the appraised value and may be for such periods as are mutually agreed to by the Agricultural Credit Supervisor and the Director of the Agricultural Bank but shall not exceed 20 years. Real estate to be purchased shall first be jointly appraised by the Agricultural Credit Supervisor and the Agricultural Bank. Total payment by the buyer for such lands shall not exceed the appraised value mutually agreed to by these two parties.

G. Production loans to a single borrower shall not exceed I.D. 300 and shall not exceed 90 per cent of the value of the chattels and crop covered by mortgage and crop lien including, however, such equipment and supplies as are purchased with the proceeds of the loan.

H. Loans for either production or land purchase shall be granted only after an inventory and appraisal of all farm property of the applicant has been made by the Agricultural Credit Supervisor.



I. Neither loans for production or land purchase shall be made except on the basis of a farm plan approved by the Agricultural Credit Supervisor. The farm plan shall contain a statement of purchases to be made with borrowed funds and a repayment schedule, which schedule shall clearly show that the loan is within the economic ability of the borrower to repay from the normal proceeds of his farm operation. The borrower shall, by his signature or equivalent, agree to follow the farm plan and repayment schedule. Failure to adhere to such farm plan and repayment schedule or to use the borrowed funds for the purpose stated in the plan shall comprise non-compliance with the loan agreement.

J. Regulations pertaining to collections of loans, due dates for interest and principal, and other matters pertaining to the administration of repayments shall be in accordance with the normal procedure of the Agricultural Bank but shall be stated clearly in the farm plan.

#### VI. Rules to Facilitate this Project

The Agricultural Bank shall issue such rules or regulations, within the by-laws or other authority of the Bank, as may be required to facilitate the efficient operation of this Project.

#### VII. Foreclosure

Procedures for closing out loans by summary processes because of failure to pay principal or interest or substantial failure to follow with reasonable faithfulness farm plan in accordance with paragraph I above shall be in accordance with the normal procedure of the Agricultural Bank, but shall be stated clearly in the farm plan.

#### VIII. Term of Project

This Project shall run for a term of three years from the date of its acceptance by the Government of Iraq, but shall be subject to the availability of appropriated funds from the Iraq and the United States Governments.

#### IX. Records and Reports

The Agricultural Credit Supervisor shall prepare a report on the operating of this Project each six months and submit such report to the Agricultural Bank and the Technical Cooperation Administration in Iraq. For the purpose and preparation of such report, he shall have access to all records of the Agricultural Bank related to this Project and the loans involved therein. Suitable records shall be kept to enable a comparison to be made of the merits of the supervised method of agricultural credit as compared to the existing unsupervised method.

Prior to the termination of the three-year term of this Project, a report shall be jointly prepared by the Agricultural Bank and the Technical Cooperation Administration in Iraq which shall review the work done, loans made,



supervision given, rate of losses and foreclosures, and which shall evaluate the benefits and improvements in agricultural production and living standards of those borrowers under this Project.

X. Project Development

This Project Arrangement has been discussed and developed jointly with the appropriate officials of the Ministry of Finance and the Agricultural Bank and has been approved by the Chief, Division of Agriculture, and the Director of the Technical Cooperation Administration in Iraq.



*Feb. Agre  
Audit.*

474 Rashid Street,  
Baghdad, Iraq,  
March 23, 1953.

H.E. Saiyid Ali Muntaz,  
Minister of Finance,  
Baghdad, Iraq.

FILE COPY

Your Excellency:

This will confirm several of the points discussed in our conference on Thursday, March 19.

I indicated that based on information from our Washington office it will be impossible for us to provide you immediately the services of a specialist in land tax matters, with background in the Middle East. We discussed the matter of timing and you indicated that if you knew well before the end of April that a specialist could arrive before then, the specialist would be most useful and that you would postpone preparation and presentation of the concerned legislation until then. You noted that if we could secure a land tax specialist without Middle East experience this would, though less preferable, be acceptable to you.

You asked if TCA could provide you with a specialist in general fiscal matters: fiscal policy, tax systems, budgeting, economic effect, for a period of some months. I replied that if we can secure a top flight man we shall be glad to provide his services, and that I felt we could secure such a man. I indicated I would explore the matter at once.

As soon as I have word on the above I shall let you know. As you know, if we can provide these experts we would need, for conclusion of the arrangement, a formal request filed via the Ministry of Foreign Affairs.

Especially interesting to me was our conversation about plans of the Ministry and the Agricultural Bank for a credit program for the purchase of farms. When our representatives have prepared for further consideration by the Bank the proposal, already discussed with the Director General, for a cooperative project for supervised credit for production loans and farm purchases in one or two demonstration quadas, we shall look forward to going over this with the Director General and yourself, as Akram Zainal has suggested.

500.112  
Ag. Credit



In this connection, you will be interested in the experiment planned for Hawija Project, under the Miri Sirf program. Some 200 to 300 farmers at Hawija have applied for fifty dinar loans. The President of the Miri Sirf Land Development Committee and ourselves have worked out a procedure in conjunction with the FAO cooperatives expert, Mr. Haig, under which Mr. Robinson, our Point IV Farm Management and Credit expert, is to supervise the lending of this money according to a careful appraisal of needs and in accordance with simple farm plans now being worked out.

I know you appreciate how significant is this step by the Ministry of Agriculture. I am told that if the plan goes through as now envisioned it will be the first supervised credit operation in Iraq. The ground work is being laid at Hawija for the utilization of the Cooperative Societies' committees. In fact, I understand that the applications for loans are now in your office awaiting signature and that as soon as you clear them the funds can be released by the Agricultural Bank and the lending can start. This is a most interesting little pioneer experiment.

May I say I again enjoyed the conference with you.

Sincerely,

Lewis H. Rohrbaugh  
Director of Technical Cooperation



Country Director

March 16, 1953

J.D. Hancock

Suggestion for a Regional Supervised Agricultural Credit Bank

In accordance with Dr. Homer Pancoast's recent requests for suggestions of worthwhile projects which would be large in all scales including social, political, agricultural and economic aspects, I would like to suggest a project which I suggested in slightly different form to Mr. Kenneth Iverson of the Ford Foundation when he was here recently.

I suggest a Regional Supervised Agricultural Credit Bank, or it might be called a Middle East Supervised Agricultural Credit Bank, to be established with headquarters in Baghdad and with branch banks in Syria, Iran, Jordan, Lebanon, Egypt, etc. I suggest that the bank be established on a corporate structure and be capitalized at not less than twenty million dollars. It should be so established that it could accept contributions from TCA, private foundations, UN Agencies, and other sources. The management of it should be so established that the participating countries could share but not control the management. The bank should operate through local lending agencies or banks as long as these agencies or banks conform to the specified lending procedure of the Regional Supervised Agricultural Credit Bank, the principal feature of which will be Supervision and Education in the Proper Use of Agricultural Credit. To a certain extent it would be a banker's bank. It could lend to local agricultural banks, cooperatives, agricultural lending agencies of the direct credit type, but should deal strictly with loans to small land-holders for production, purchase and improvement.

Naturally, the bank would have to train a certain number of regional credit supervisors and no doubt would have to operate credit supervisors' schools within countries in which it operated branch banks. The backbone of the bank staff should be permanent, but TCA, the UN Agencies, host countries, etc. could subsidize the bank further by furnishing staff of certain types, in that way reducing administrative costs.

If such a bank were established, not necessarily as an integral part of TCA, but related to it laterally, it could operate in countries in which Point IV Agreements are not in effect (Syria, for example).

The technical activities of Point IV in the field could be made to mesh with the lending activities of the bank, the two forces complementing one another completely. Much educational work could be done through the bank which cannot be done so well directly by Point IV. You saw an example of what I mean during the conversation with the President of Iraq's Agricultural Bank on March 14.

530-112-  
Agricultural Credit



This is only an idea. It should be studied by persons having more knowledge of agricultural credit than I do. I have discussed this with the Chief of the Agricultural Division, and he feels that as an idea this has merit. He agrees that the thing should be studied seriously and in more detail, provided, of course, that the program which Dr. Pancoast has in mind materializes. Just exactly what that program is, I do not know.



3/17 *L. Rohrbaugh*  
2. *Felan**Office Memorandum* • UNITED STATES GOVERNMENT

TO : Lewis H. Rohrbaugh

FROM : Conrad H. Hammar

SUBJECT: Supervised Agricultural Credit Project

DATE: March 16, 1953

Darwish Haidari is a Director of the Agricultural Bank and said that he would be glad to help us with the Supervised Agricultural Credit Project. Also, he is going to take the Date Project Arrangement up directly with the Ministry of Economics and will be taking Shull with him to that interview before the end of the week.

500.112 Agric Credit



*Office Memorandum* • UNITED STATES GOVERNMENT

TO : Files

FROM : Lewis H. Rohrbaugh *WR*

SUBJECT: Agriculture  
Agricultural Credit

DATE: March 5, 1953

2-28-53 Telephone Conversation with Akram Zainal, President of the Agriculture Bank, and Lewis H. Rohrbaugh

The preliminary draft of a supervised credit project was sent by TCA to Zainal on the 27th of January. It was very much a tentative thing and was to serve as a point of departure for further discussion. We had not heard from Zainal - this was a follow up call.

Zainal said that he had had to have the material translated and since the bank did not have a good translator he had had to do the thing himself and he apologized for the delay. He said he wanted the matter discussed by the bank's Board of Directors. He said he himself was very much in favor of the idea but that there would be many people, frankly, in the country who would be against it. He went on to say that the proposal would cost the bank a good deal each year—somewhere around 40,000 pounds and they might lose something on it. And he also said that so many borrowers from the bank really wanted to be entirely free and to have no strings attached to loans. LR reminded him that first the proposal was merely a point of departure and sort of tied down on paper the things he had been talking over with TCA representatives earlier and that we wanted to go over them again before any final action was taken. And he was reminded, too, of the basic nature of the thing—that the proposal was for a loan fund for Agriculture with the idea that the loans would be repaid and delinquencies might be made up from a guaranty fund, etc., etc. It seemed to LR that Zainal did not thoroughly understand the idea despite the earlier conversations.

At any rate, Zainal said he was very much in favor of the thing and wanted to do it and would get in touch with TCA next week. He said he was going to Basra on March 1 for three days and on his return hoped that within the week the Bank's Board would have had a chance to discuss the project and that he (Zainal) would then be ready to sit down with TCA representatives. I said we were looking forward to hearing from him on it and talking it over with him.

We talked a bit more about the supervision aspects of the program, etc.

*500.112*  
*Agri - credit*  
*X 501.6*



## Office Memorandum • UNITED STATES GOVERNMENT

TO : Lewis H. Rohrbaugh

FROM : Conrad H. Hammar *CHH*

SUBJECT: Supervised Credit Project

DATE: February 26, 1953

We sent the "Supervised Credit" proposal to Zainal on the 27th January. If we leave him undisturbed much longer, he'll think we have little interest, which is far from true. I believe a telephone call from you would be best method of initiating renewed action.

*Agrie. Bank - 84191*

*Sett file*

- I talked to Zainal 2/25 & he says he'll be ready to get home stock within*
- were detail in a file with now on background*
- let if we've heard by 3/15 suggest another*
- see 2/25*

*570.112 Ag. Credit*



Files

474 Rashid Street,  
Baghdad, Iraq,  
January 27, 1953.

Mr. Akram Zainal,  
Director, Agricultural Bank,  
Baghdad, Iraq.

Dear Mr. Zainal:

Following the conversation of Mr. J. D. Hancock and Dr. Hammar with you in early December, the two attached papers — the one on Supervised Agricultural Credit in the U.S., and the other proposing a credit project for cooperative implementation and administration by the Agricultural Bank and the TCA Mission to Iraq — were prepared. The paper on the proposed project agreement is not to be looked upon as a finished paper, but merely as one to open up a succeeding and more specific phase of a discussion between the TCA Mission and your bank. I am sure that you will wish to look the proposal over in considerable detail, and I hope that when you have done so, you will be kind enough to call me for a further discussion. We will then draw up a project arrangement specifying more exactly what the Bank and TCA shall undertake in the matter.

I consider this a most important proposal and am most hopeful that it will provide the Technical Cooperation Administration an opportunity to work closely with you and your bank on a project the purpose of which is so significant for the many small farmers of Iraq.

Sincerely yours,

Lewis H. Rohrbaugh  
Director, Technical Cooperation

Enclosure:

As mentioned above.

*C.H.H.*  
CHHammar:rmsb

500.112  
Copy. 6/1/54



## SUPERVISED AGRICULTURAL CREDIT IN THE UNITED STATES

### Character of the Agricultural Credit System

The United States has a dual system of agricultural credit. That is, alongside of the usual commercial bank credit and the mortgage credit supplied by insurance companies, etc., there exists the huge agricultural credit system of the U.S. Government called the Farm Credit Administration. The Farm Credit Administration is thought of as a secondary system, not to displace, but to supplement, commercial credit. Nevertheless, the Farm Credit Administration operates continuously and provides a full line of credit. That is, it provides, through its Federal Land Banks, a complete system of farm mortgage credit; through the Intermediate Credit Banks and the Production Credit Corporation, a full line of production credit; and for farmers' cooperatives, there is a full line of both mortgage and production credit available through the Cooperative Bank. In addition to these, however, there is another government institution called the Farmers' Home Administration that provides credit to farmers who cannot get loans elsewhere. That is, the Federal Land Banks, the Production Credit Corporation, and the Agricultural Cooperative Bank, as well as commercial agencies, all lend only to farmers who can offer ample security for their loans. On the other hand, the Farmers' Home Administration (FHA) lends only to farmers who cannot provide the loan security that these other agencies demand. This latter type of credit is called, "Supervised Agricultural Credit," in the U.S. and is worthy of attention here in Iraq because of the fact that such credit has been so important an influence in the U.S. for increasing farm production and for giving young farmers a chance to buy farms and thus to become independent operators.

### Characteristics of Supervised Farm Credit in the U.S.

The major characteristics of supervised farm credit as it exists in the U.S. are reasonably simple and are as follows:

Prospective borrowers from the Farmers' Home Administration must establish the fact that they cannot obtain money from usual commercial sources including the Farm Credit Administration.

The loans are of limited size, usually below \$3,500 as a maximum and averaging between \$1,000 and \$2,000. The system, in other words, is not to set up to compete with or displace commercial banks but to supplement them as a source of farm credit.

The loans are made only to bona fide farmers or to those who can give ample proof that they are about to begin farming and have a farming background.

Loans are made only upon the basis of a farm plan that is worked out with the prospective borrower before he is granted the money.

This farm plan provides for a schedule of repayments for the loan.

Only those farmers who want to farm according to plan and who are willing to cooperate with the supervision that is provided are accepted as borrowers.



The procedures involved in granting loans are equally simple:

First, the borrower makes an application to the FHA. In this application, he not only states the amount of money that he wishes to borrow, but he must also give a list of his assets and their total valuation and state that he cannot obtain the needed credit from the commercial credit agencies. The FHA then inspects the application and determines whether this is a bona fide request for supervised credit. It may even go so far as to recommend that the applicant go to a commercial credit agency and request the loan. That is, a great many applications are rejected because the applicants actually can obtain money without coming to the Farmers' Home Administration.

The second step is for an agent of the Farmers' Home Administration to make a personal inspection of the property of the applicant and, at the same time, to investigate the situation of the applicant with respect to his family relationship, his reputation as a farm operator and his record as far as credit honesty is concerned.

Thereafter, with the help of the applicant, a farm plan, together with a repayment plan, is drawn up. This plan specifies, in considerable detail, not only the crop rotation that shall be followed and the livestock complement that shall be used in connection with the farm, but goes also into the practices that shall be employed in operating the farm. There is usually encouragement given to the farmer's wife to undertake a large amount of home canning and other food preservation so that the farm may be as self sufficient as possible, and there is also a marketing plan and a provision that when major amounts of products are marketed, payments on the loan shall be made.

For security, a Chattel Mortgage is placed on all property of the applicant. This Chattel Mortgage insures that when livestock or crops are sold, a portion of the proceeds will be applied on the loan.

The loan procedure is, however, fairly liberal with respect to the granting of consumption as contrasted to production credit. Most of the loan must be used for productive purposes, but where there is obvious need for some funds to be employed for the purchase of consumables, money for the purpose is also granted. However, loans for the purchase of consumer goods must be repaid quickly, usually within a year. Loans for production materials and equipment may, on the other hand, run for three and five years and, where circumstances justify, there is provision for renewal beyond that.

In order to insure that the borrower uses the money for the purposes set forth in the loan agreement, the funds made available to the borrower are placed in a joint account in an appropriate local bank. Under this joint account arrangement, the borrower can withdraw the money only on a draft bearing his own signature and that of the County FHA Supervisor. This fact enables the County Supervisor to give detailed supervision and advice on all purchases and to see that the provisions of the farming plan are, indeed, followed out in practice.



One other major type of FHA loan requires special mention: that is, the so-called Tenant Purchase Loan. These T.P. loans, while similar to the loans just described above, are also different in that they permit the purchaser to buy land and to enter into a much longer term contract than that provided in the case of the strictly production type of loan. These T.P. loans are made to tenants who have already established for themselves reputations for character and as good farm operators, but who do not have sufficient security on which to make a loan to buy a farm. These loans are also made under a long-term farm plan and under provisions for supervision assistance much the same, as far as farm operation is concerned, as are the production loans described above. In fact, great care is needed to make out a long-term farming program and loan repayment plan under these loans. Because the loans are for long periods, the character and stability of the borrower and his family are also of extraordinary importance.

These Tenant Purchase Loans have been a very significant factor in enabling young men to become owner operators and were made in great numbers to veterans after the conclusion of the last World War. There should certainly be a place for such loans in Iraq, but with a vigorous Miri Sirf Land Development program in prospect, there is less need for these at present than for straight production loans similar to those which constitute the bulk of the business of the FHA in the U.S. If a successful program for these can be established, a program for tenant purchase loans can be added later.

In the United States, a congressional appropriation is made each year for the support of the Farmers' Home Administration. Supervised credit, unlike commercial credit, cannot be extended at a profit. The numerous very small loans made and the intensive supervision required to teach borrowers a respect for the supervision and assistance they are given and to encourage in them a real desire to learn how to use and repay their loans, increase operational costs far beyond what may be covered by interest payments. In the U.S., these interest costs to borrowers usually run about one percentage point higher than the fully secured loans of the Farm Credit Administration. The congressional appropriation to cover costs of the FHA loans is, in effect, a subsidy to borrowers from that institution. A similar subsidy would be necessary in any country using supervised credit if interest rates are to be kept within limits that borrowers of such credit are able to pay. The subsidy must be regarded as a cost of education and, in the United States, has been judged as being worth the cost involved.



1/27/53

Files

### AGRICULTURAL CREDIT PROJECT

This preliminary presentation of a proposal for a cooperative supervised credit project between the Agricultural Bank and TCA is intended merely to open a more serious phase of discussion of the matter. The purpose of the proposal and the objective of the project is to introduce in Iraq, on a demonstration basis, a program for supervised credit as a means of instructing the many small farmers of the country how to use this powerful instrument for increasing farm production and farm family income. The Agricultural Bank will need to have available I.D. 30,000 as a loan fund and sufficient current funds to cover operating costs. TCA is prepared to provide a top-flight credit specialist and a sum of I.D. 10,000 as a guarantee fund to pay costs occasioned by the failure of borrowers, under the program, to repay their loans.

#### Background

Modernizing the farming of Iraq is going to require a great deal of agricultural credit. Credit is needed for buying machinery, purchasing supplies and livestock, getting better tools and for improving such things as housing, irrigation, drainage and the like. It is an important way also of introducing new techniques into agriculture because most new farming methods require additional capital of one kind or another whether it is new and better tools, new and better seeds, new and better livestock and so on. Between them, greater amounts of equipment and supplies together with better techniques of using them are also the finest means of raising the standard of living of the farmers of the country.

The use of credit has, furthermore, the great advantage that it fits well into an orderly evolutionary process of farming development. It is quite possible to begin in a small way to teach farmers how to use credit better in a single village, Mahiyah or Qada and then move on to the next Qada to begin the process of instruction. As farmers learn to use credit, they will employ more and more of it to the great benefit of themselves and the nation.

The difficulty is to get credit and its uses introduced more broadly to Iraqi farmers so that they may begin the process of learning how to use it. Given the situation in Iraq farming, the best method for introducing credit is, apparently, to use the remarkable techniques that have been built up in the U.S. for granting farmers what may best be called supervised credit. Such credit is not needed for borrowers with ample property that can be used for security or for borrowers who are well educated and have undoubted management powers. It is not credit that can be loaned at a profit. In fact, there are costs involved. It is the type of credit for use with poor farmers, possessing little security, and having largely unknown, and untried powers of management in order to teach them how to use credit effectively. The supervision that is provided is to compensate for weaknesses of property and management of the borrowers and is used as a means of lifting them into a



higher category of both wealth, and business competence so that they can manage their credit (and other business) affairs without further supervision. This has, indeed, been the case with hundreds of thousands of former borrowers of the Farm Security and Farmers' Home Administrations in the U.S. who began their farm operating careers with the help of supervised credit and who progressed, therefrom, to ownership of their farms and often to conspicuous business success.

To introduce this type of farm credit into Iraq, the following are proposed as the bases for a project between the Agricultural Bank of Iraq and the Technical Cooperation Administration of the United States of America.

### I. Selection of Demonstration Area

A Qada shall be selected in which to begin operations with supervised farm loans. The Qada selected shall be one in which there are a considerable number of small farmers who already own their land or who can be expected, in time, to achieve such ownership. The Ministry of Agriculture and the Agricultural Extension Service shall be consulted in the selection of a Demonstration Qada but final selection shall be made by agreement between the Agricultural Bank and the Technical Cooperation Administration of the United States.

### II. Personnel

For the purpose of the project, the Agricultural Bank and the Technical Cooperation Administration of the United States shall supply the following personnel.

A. For purposes of consultation, the Chief Agriculturist of the TCA Mission to Iraq shall be available to the Agricultural Bank on call, and he shall have the right to review the operation and progress achieved under the project and shall prepare and present a report on such operations and progress achieved under the project each six months to the Agricultural Bank and to the Director of the TCA Mission to Iraq. For purposes of preparation of such report, he shall have access to all records of the Agricultural Bank pertinent to this cooperative project.

B. The TCA Mission shall also supply to the Agricultural Bank one well-qualified and highly experienced farm credit specialist who shall be charged with administration of the project in the selected demonstration Qada under the general supervision of the Director of the Agricultural Bank and the Chief Agriculturist of the TCA Mission to Iraq. This U.S. Credit Specialist shall be supplied by TCA at no cost to the Bank, except that the Bank shall be responsible, under the General Agreement for Technical Cooperation between the governments of the United States and Iraq, for the payment for usual costs of travel and administration undertaken in connection with the operation of the supervised credit project.

C. The Agricultural Bank shall make provision at its central headquarters for such personnel as is needed for accounting, record keeping and other administrative duties and services as are necessary to the operation of the project and shall



D. Provide, initially, for two well-qualified Iraqis as assistants to the U.S. credit specialists and to work with him and under his direction on the project in the demonstration Qada. These assistants shall be selected with the prospect in mind that they will, in time, become Qada credit supervisors themselves and their basic qualifications shall be such as to warrant their ultimate promotion to such position.

E. It is, furthermore, agreed that when in the estimation of the Bank and the Chief Agriculturist of TCA the project operations in the first demonstration Qada are on a sufficiently satisfactory basis a second Qada in which to begin a similar project will be forthwith selected and two Iraqi assistants with proper qualification will be selected for work in this second Qada under the supervision of the U.S. Credit technician. In time, also, similar provisions will be made for inaugurating operations in a third Qada and so on.

F. It is, furthermore, agreed that the normal case load for an Iraq supervisor of supervised farm credit shall be 100 farm loans and that the Agriculture Bank shall maintain sufficient personnel in the Qadas in which operations are in progress so that the case load for each supervisor is no greater than he can adequately and effectively administer.

### III. Provision of Funds

A. The Agricultural Bank shall immediately make available a sum of 30,000 I.D. to be used for making supervised credit loans in the first demonstration Qada and shall thereafter make available additional sums as the case load in the Qadas selected for lending build up and the money is needed for making additional loans.

B. The Agricultural Bank shall pay all costs of operation, including the provision of an office and transport for the U.S. credit specialists, for the project, recognizing that part of such costs are for purposes of instructing farmers in the use and management of credit and that interest payments on loans, therefore, do not ordinarily cover the costs of the operations.

C. In addition to paying the salary of the U.S. credit technician, the TCA Mission to Iraq will provide a guarantee fund of 10,000 I.D. for each Qada in which operations are begun and continued. Such guarantee funds are and shall continue to be the property of the United States save as they are obligated and paid out because of the normal operations of the project. Guarantee funds shall be available and used only to pay costs occasioned by failure of borrowers to pay the principal due on their loans during the first three years of operation in a selected Qada. The regulations governing the payment from the Guarantee fund to the bank shall be in accordance with a section to be prepared for the final project arrangement.



#### IV. Relationships with Local Officials

Before operations under this agreement shall begin, there shall be an exchange of notes between the Agricultural Bank and the Technical Cooperation Administration of the Mission to Iraq on the one side, and the Ministry of Interior on the other, acquainting the said Ministry of Interior of the purposes of such prospective operations and the fact that they are to be begun in the named Qada or Qadas. Such exchange of notes shall request and provide for an official notification by the Ministry of Interior of the Mutasarrif of the Liwa and the Quai ma Qum of the Qada that operations are to be begun and the purposes for which such operations are to be carried on and requesting such officials to inform other interested Liwa and local officials of the nature and purpose of the operations and requesting their assistance and official support.

#### V. Loan Provisions

The loans made under the terms of this project shall be in accordance with the following provisions:

1. Loans shall be made only to bonafide operating farmers who cannot get satisfactory credit elsewhere and who reside and have their chief base of operations in the selected Qada or Qadas.
2. All loans shall be for                   % interest rate.
3. All loans shall be for production purposes in connection with the farm operations carried on by the borrower and his family. The use of the borrowed funds for the purchase of household equipment and on other consumable items shall not, however, be prohibited but shall be limited to no more than 20 per cent of the loan proceeds.
4. All loans shall be covered by a mortgage on the equipment, livestock, and other mortgageable chattels of the borrower and also by a crop lien on crops produced and for sale.
5. Loans shall be for such periods as the office of the Qada Credit Supervisor shall determine but shall not exceed three years. Provided, however, that loans may be renewable for another period of not to exceed three years at the discretion of the Qada Credit Supervisor. Provided, however, that no more than one renewal beyond three years shall be permissible except with the written permission of the Director of the Agricultural Bank.
6. Loans to any single borrower shall not exceed 300 I.D. and shall not exceed 90 per cent of the value of the chattels and crops covered by mortgage and crop lien including, however, such equipment and supplies as are purchased with the proceeds of the loan.
7. Loans shall be granted only after an inventory and appraisal of all farm property of the applicant has been made and certified to the Bank by the Qada Credit Supervisor.



8. No loans shall be made except on the basis of a farm plan drawn up with the cooperation of the Qada Credit Supervisor and having his signature of approval. Such plan shall contain a repayment program that indicates that the loan is within the capacity of the borrower to repay from the normal proceeds of his farm operation. The borrower shall, by his signature or its equivalent, agree to follow the farm plan and repayment program and to remain responsible to the Qada Credit Supervisor for compliance with the plan as long as the loan is in effect.

9. No loan shall be granted except that the borrower agree to the expenditure of the borrowed funds for such purposes only as have the approval of the Qada Credit Supervisor and under circumstances which make final payment for supplies purchased dependent on the signature of such supervisor.

#### VI. Appraisal

Appraisal of the property of prospective borrowers shall be in accordance with a procedure to be worked out and agreed upon by the Agricultural Bank and the Technical Cooperation Administration Mission to Iraq.

#### VII. Collections

Regulations with respect to the due dates for interest and principal repayments shall be in accordance with the repayment plan as set forth in V. above, but shall be further governed by procedures worked out by the Agricultural Bank and the Technical Cooperation Administration Mission to Iraq.

#### VIII. Foreclosure

Procedures for closing out loans by summary processes because of failure to pay principal or interest or for failure to follow with reasonable faithfulness the farm plan as agreed upon shall be based on instructions prepared by the Agricultural Bank and the Technical Cooperation Administration to Iraq and in accordance with basic Iraqi laws. Provided, also that the prospective borrower shall be informed of such foreclosure procedures and the circumstances under which they will be initiated and enforced before a loan may be granted.



*Feb. Agri. Credit.*  
**Office Memorandum • UNITED STATES GOVERNMENT**

TO : C. H. Hammar

DATE: January 24, 1953

FROM : Lewis H. Rohrbaugh *LR*

SUBJECT: Agricultural Credit Project

**FILE COPY**

On the attached submission I have made one or two format suggestions. So has JDH. I do not share JDH's views that going ahead on this will jeopardize related work under MSLD. I think we should go ahead. This is one of the most significant things we can do.

I have the following added comments:

1. The data should be single spaced and the difference between the two papers clear.
2. The submission, I think, is more appropriate from the Country Director.
3. The paper on credit I like better than the paper on the project. The latter I think should be reorganized as indicated.
4. I feel strongly that one cannot have supervised credit on paper, and that either this has to be done in an area where we already have personnel for credit supervision (i.e., extensive) or that a field (supervised credit) man must be included.
5. The submission to Zainal should make even more clear the fact that this is for discussion.
6. I question whether the I.D. 30/000 is enough.
7. I suggest you turn this, in a delegated way, over to Mr. Robinson who should be qualified to do these preliminary steps and I think is.
8. Becuase this is so important I think we ought to put it as a priority project.

cc: J. D. Hancock

*500,112 Credit*



## PROPOSAL FOR A SUPERVISED AGRICULTURAL CREDIT PROJECT

The objective of the proposed project is to introduce in Iraq, on a demonstration basis, a program for supervised credit as a means of instructing the many small farmers of the country how to use this powerful instrument for increasing farm production and farm family income.

### Background

*and the encouragement of farm purchasing will*  
Modernizing the farming of Iraq ~~is going to~~ require a great deal of agricultural credit. Credit is needed for buying machinery, purchasing supplies and livestock, getting better tools and for improving such things as housing, irrigation, drainage and the like. It is an important way also of introducing new techniques into agriculture because most new farming methods require additional capital of one kind or another whether it is new and better tools, new and better seeds, new and better livestock and so on. Between them, greater amounts of equipment and supplies together with better techniques of using them are also the finest means of raising the standard of living of the farmers of the country.

*and to purchase new farms or enlarge existing ones,*  
The use of credit has, furthermore, the great advantage that it fits well into an orderly evolutionary process of farming development. It is quite possible to begin in a small way to teach farmers how to use credit better in a single village, Nahiyah or Qada and then move on to the next Qada to begin the process of instruction. As farmers learn to use credit, they will employ more and more of it to the great benefit of themselves and the nation.

The difficulty is to get credit and its uses introduced more broadly to Iraqi farmers so that they may begin the process of learning how to use it. Given the situation in Iraq farming, the best method for introducing credit is, apparently, to use the remarkable techniques that have been built up in the U.S. for granting farmers what may best be called supervised credit. Such credit is not needed for borrowers with ample property that can be used for security or for borrowers who are well educated and have undoubted management powers. It is not credit that can be loaned at a profit. In fact, there are costs involved. It is the type of credit for use with poor farmers, possessing little security, and having largely unknown, and untried powers of management in order to teach them how to use credit effectively. The supervision that is provided is to compensate for weaknesses of property and management of the borrowers and is used as a means of lifting them into a higher category of both wealth, and business competence so that they can manage their credit (and other business) affairs without further supervision. ~~This has, indeed, been the case with hundreds of thousands of former borrowers of the Farm Security and Farmers' Home Administrations in the U.S. who began their farm operating careers with the help of supervised credit and who progressed, therefrom, to ownership of their farms and often to conspicuous business success.~~

*the supervised*  
To introduce ~~this~~ type of farm credit into Iraq, the following are proposed as the bases for a project between the Agricultural Bank of Iraq and the Technical Cooperation Administration of the United States of America.



there should therefore  
be land in the Qada or  
Qadas which can be  
purchased.

# 1. Selection of Demonstration Area

One or two Qadas shall be selected in which to begin operations with supervised farm loans. The Qada or Qadas selected shall have a considerable number of small farmers who already own their land or who can be expected, in time, to achieve such ownership. The Ministry of Agriculture and the Agricultural Extension Service shall be consulted in the selection of a Demonstration Qada but final selection shall be made by agreement between the Agricultural Bank and the Technical Cooperation Administration of the United States.

## II. Personnel

For the purpose of the project, the Agricultural Bank and the Technical Cooperation Administration of the United States shall supply the following personnel.

715  
A. For the purposes of consultation, the Chief Agriculturist of the TCA Mission to Iraq shall be available to the Agricultural Bank on call, and he shall have the right to review the operation and progress achieved under the project, and shall prepare and present a report on such operations and progress achieved under the project each six months to the Agricultural Bank and to the Director of the TCA Mission to Iraq. For purposes of preparation of such report, he shall have access to all records of the Agricultural Bank pertinent to this cooperative project.

B. The TCA Mission shall also provide one well-qualified and experienced Farm Credit Supervisor who shall be charged with management and operation of the project in the selected demonstration area under the general supervision of the Director of the Agricultural Bank and the Chief Agriculturist of the TCA Mission to Iraq. The Bank shall be responsible, under the General Agreement for Technical Cooperation between the governments of the United States and Iraq, for the payment for usual costs of travel in Iraq by the Farm Credit Supervisor and administrative costs in connection with the operation of this Supervised Credit Project.

C. The Agricultural Bank shall make provision at its central headquarters for such personnel as is needed for accounting, record keeping and other administrative duties and services as are necessary to the operation of the project and shall:

D. Provide two well-qualified Iraqis as assistants to the U.S. Farm Credit Supervisor and to work with him and under his direction on the project. These assistants shall be selected with the prospect in mind that they will, in time, become Qada credit supervisors themselves and their basic qualifications shall be such as to warrant their ultimate promotion to such position.

## III. Provision of Funds

A. The Agricultural Bank shall provide the funds to be lent under this project. The amount of individual loans shall be established by the TCA Credit Supervisor and shall be based on his evaluation of need in each individual case and subject to approval by the bank.



B. The Agricultural Bank shall pay all costs of operation, including the provision of an office and transport for the U.S. Credit Specialist for the project, recognizing that part of such costs are for purposes of instructing farmers in the use and management of credit.

C. The United States Government shall pay the salary and allowances of the Credit Expert and shall pay the costs of international travel of the expert and his family and the transportation of their household effects.

#### IV. Relationships with Local Officials

Before operations under this project shall begin, there shall be an exchange of notes between the Agricultural Bank and the Technical Cooperation Administration of the Mission to Iraq on the one side, and the Ministry of Interior on the other, acquainting the said Ministry of Interior of the purposes of such prospective operations and the fact that they are to be begun in the named Qada or Qadas. Such exchange of notes shall request and provide for an official notification by the Ministry of Interior of the Mutasarrif of the Liwa and the Quai ma Qam of the Qada that operations are to be begun and the purposes for which such operations are to be carried on and requesting such officials to inform other interested Liwa and local officials of the nature and purpose of the operations and requesting their assistance and official support.

#### V. Loan Provisions *Plan of operations*

The loans made under the terms of this project shall be in accordance with the following provisions:

1. Loans shall be made only to bonafide operating farmers who cannot get satisfactory credit elsewhere and who reside and have their chief base of operations in the selected Qada or Qadas.

2. All loans shall be for % interest rate.

3. All loans shall be for ~~production~~ purposes in connection with the farm operations carried on by the borrower and his family. The use of the borrowed funds for the purchase of household equipment and other consumable items shall not, however, be prohibited but shall be limited to no more than 20 per cent of the loan proceeds.

4. All loans shall be covered by a mortgage on the equipment, livestock, land and other mortgageable chattels of the borrower and also by a crop lien on crops produced and for sale.

5. Loans <sup>for production</sup> shall be for such periods as the Farm Credit Supervisor shall determine, ~~but shall not exceed three years~~. <sup>(not less than 1 year)</sup> Provided, however, that <sup>production</sup> loans may be renewable for another period of not to exceed three years at the discretion of the Qada Credit Supervisor. Provided, however, that no more than one renewal beyond three years shall be permissible except with the written permission of the Director of the Agricultural Bank.

6. Loans for purchase of land may be for such periods as <sup>mutually</sup> agreed to as being practicable by the Farm Credit Supervisor and the Agricultural Bank.



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6. Loans to any single borrower shall not exceed 300 I.D. and shall not exceed 90 per cent of the value of the chattels and crop covered by mortgage and crop lien including, however, such equipment and supplies as are purchased with the proceeds of the loan.

7. Loans shall be granted only after an inventory and appraisal of all farm property of the applicant has been made and certified to the Bank by the Farm Credit Supervisor.

8. <sup>either for production or farm purchase</sup> No loans shall be made except on the basis of a farm plan drawn up with the cooperation of the Farm Credit Supervisor and having his signature of approval. Such plan shall contain a repayment program that indicates that the loan is within the capacity of the borrower to repay from the normal proceeds of his farm operation. The borrower shall, by his signature or its equivalent, agree to follow the farm plan and repayment program and to remain responsible to the Farm Credit Supervisor for compliance with the plan as long as the loan is in effect.

9. No loan shall be granted except that the borrower agree to the expenditure of the borrowed funds for such purposes only as have the approval of the Farm Credit Supervisor and under circumstances which make final payment for supplies purchased dependent on the signature of such supervisor.

#### VI. Appraisal

Appraisal of the property of prospective borrowers <sup>(as of land to be purchased with borrowed funds)</sup> shall be in accordance with a procedure to be worked out and agreed upon by the Agricultural Bank and the Technical Cooperation Administration Mission to Iraq.

#### VII. Collections

Regulations with respect to the due dates for interest and principal repayments shall be in accordance with the repayment plan as set forth in V. above, but shall be further governed by procedures worked out by the Agricultural Bank and the Technical Cooperation Administration Mission to Iraq.

#### VIII. Foreclosure

Procedures for closing out loans by summary processes because of failure to pay principal or interest or for failure to follow with reasonable faithfulness the farm plan as agreed upon shall be based on instructions prepared by the Agricultural Bank and the Technical Cooperation Administration to Iraq and in accordance with basic Iraqi laws. Provided, also that the prospective borrower shall be informed of such foreclosure procedures and the circumstances under which they will be initiated and enforced before a loan may be granted.

#### IX. Term of Project

This project shall have a term of three years, subject to the availability of appropriate funds from both the Iraq and United States Governments.



Record and Reports

Suitable records shall be kept to enable the Agricultural Bank to compare the merit of lending under the supervised method and under the existing unsupervised method. Prior to the termination of the project, a Project Termination Report shall be jointly prepared by the Agricultural Bank and the Technical Cooperation Administration which shall state the work done, loans made, supervised given, rate of losses or foreclosures and present an evaluation of the merits of and impediments to the supervised form of agricultural credit as compared to unsupervised credit.

TH



American Embassy,  
Baghdad, Iraq,  
December 30, 1952.

Dear Dr. Black:

In one phase of our mission's program, in agriculture, our staff is assisting the Government of Iraq to do some thinking and planning (leading we hope to action) as regards agricultural credit. I wonder if you could tell me whether the work on FSA Jim Maddox did under your supervision has been put out in purchasable form and, if so, by what publisher? Background on FSA experience would be helpful to several of our staff members.

Met your son for the first time in Rome a month or so ago.

We are finding the situation in Iraq compelling and challenging.

I'll appreciate a line from you. With best personal regards,

Sincerely,

Lewis H. Rohrbaugh  
Director of Technical Cooperation

Dr. John D. Black,  
12 Lambert Street,  
Belmont, Massachusetts.

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HARVARD UNIVERSITY  
GRADUATE SCHOOL OF PUBLIC ADMINISTRATION

SEMINAR IN AGRICULTURAL  
FORESTRY AND LAND-USE POLICY

205 LITTAUER CENTER  
CAMBRIDGE 38, MASSACHUSETTS

January 8, 1953

Mr. Lewis H. Rohrbaugh  
Director of Technical Cooperation  
American Embassy  
Baghdad, Iraq

Dear Mr. Rohrbaugh:

I regret to state that Jum Maddox's book has not yet even gone to the printer. The University of Chicago Press is ready to publish it whenever Jim can find time to put it into shape for publication.

The fine young man you met in Rome was not my son but my nephew. His father is President of Liberty Mutual Insurance Company in Boston. My oldest son is doing teaching and research in agricultural economics at the University of California.

I agree with you that the rehabilitation loan program has an important lesson for countries in the Middle East. I am enclosing a copy of a report that I have written on a thesis submitted for an honorary degree of Doctor of Science in an Indian university. Please consider this confidential, since whether this man is to get the degree or not is in dispute, one of the readers approving it on ground of standpoint two, and the other disproving it on standpoint one.

Back just before World War I a Philippino student came over here to study land tenure reform, and I had him make a study of rehabilitation loans for his doctor's thesis. The man is Dr. Amando ~~Alise~~ and is now Secretary for PHILCUSA. His thesis likewise was never published. If you get to Manila, please look up Amando. He is doing a very good job I am told.

Yours very truly,

  
John D. Black

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enclosures

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October 31, 1952

Deputy Registrar  
Agra University  
Agra, India

FILE COPY

Dear Sir:

Whether or not I approve Dr. Lavanias's thesis for the D.Sc. degree depends upon which of the two following standards are to be observed. The rules furnished do not provide any guidance in this matter.

I. If the standard is what would be considered as good scientific method in economic analysis by those recognized as adequately equipped in economics and statistics in the United States, and by the departments of agricultural economics in the United States that are recognized by economists as staffed with men of this description, the decision would have to be against accepting it.

II. If instead the standard is that of what is taught and accepted as sound methodology, widely, I expect, in the universities of India, among those who work in farm management and especially farm cost accounting in much of western Europe, and even in some agricultural colleges in the United States that are still using methods developed earlier by men with little acquaintance with economics and/or statistics, then the decision should be in favor of accepting this thesis of Dr. Lavanias's as sufficient for the D.Sc. degree.

I expect that this second standard is the only one that is fair to the candidate. His training and experience apparently has all been in India, or if not, in universities of the type that fit into the No. II description, and to judge his methodology by the No. I standard would be unreasonable. To be sure, this would not be altogether consistent with the practice of calling upon readers in other countries as judges. Still, a set of readers could be chosen in Europe and from some agricultural colleges even in the United States who would accept Dr. Lavanias's methodology as sufficiently valid.

You in India will generally know that the No. II type of standard is more nearly the type of standard that is observed in the United States than is the No. I type. That is, the examiners are chosen from the university where the candidate has done his study and research, no matter how inadequate the qualifications of the faculty of the department of this university may be.

Even in terms of the No. I standard, this thesis includes a large amount of data and facts about farming, land tenure, living conditions, social status and the like in Uttar Pradesh that are highly informative and illuminating, and much of the analysis points toward programs and action that surely is of the right sort and could be used as a safe basis for such action. But unfortunately other parts of the analysis produce results that could not



safely be used. I am not stating, let it be entirely clear, that the action indicated would necessarily be wrong. What I am saying is that one cannot trust it to be right in view of the procedures by which the results were obtained.

If the thesis is accepted because the No. II standard is the one that is intended to be followed, there will still be need for some important revisions in the manuscript before it is published as a book.

1. Much editing of sentences and of the language will be needed. (My judgment as to how much of what seem like abnormalities to me is Indian English is not very good, although I have read several books published in such English in recent years.)

2. Much reorganization of the tables will be needed, partly to reduce the space devoted to them, partly to make them clearer.

3. Careful explanation is needed of the basis of valuations of such as the following:

- cost-rates applied to the different input or cost factors
- the basis of determination of maintenance allowance of 250/ per person.

4. Probably some parts of the study can be omitted without significant loss, such, for example, as cost of production per acre in Chapter VIII.

5. Also in Chapter VIII, the difference between the basis of estimating cost of production per acre (Tables XII to XVII) and total cost per holding (Table XVIII and following) needs to be made clearer.

6. More explanation is needed of the sampling procedure, especially as it relates to the individual holdings surveyed in any one village.

I do not consider, however, that these shortcomings should stand in the way of accepting this thesis if the No. II standard is observed. They can be remedied in preparing the manuscript for the press.

The methodological shortcomings of this study are mainly the following:

1. The procedure followed calls for placing a monetary valuation on each and every item of family maintenance, of input factors used in production, and of all output. Many of these items cannot be so valued except on the basis of arbitrary and unreal assumptions, and any results obtained are bound to be as arbitrary as the assumptions, and cannot be trusted as a safe basis for a program of action such as creating holdings supposed to be economic. The holdings so determined could easily be considerably too large or too small, and in consequence great injury could be done to the families of any one province.



There are situations in the world of affairs where valuations must be made as a basis for action if any action is to be possible, and some of the valuations must be more or less arbitrary. (For example, the differentiation of railway rates among classes of goods.) But such arbitrary assumptions should be avoided wherever possible and they are largely unnecessary in the problem in hand. The only maintenance and input items that really need to be given money valuations are those that are purchased, and the only output items that need to be given a money value are those that are sold. What is needed for each family surveyed is, on the one side, total cash outlays required for food, clothing, etc. (that is, for such of these as not produced on the farm) and the same for feed for bullocks, for manure, seed and other supplies; and on the other side, the cash income from the farm products sold. The difference between these indicates the additional income needing to be earned by production for sale, except as production of food, feed, etc. for use in the home and on the farm can be increased on the holding. The next step is to determine the additional land that will be needed to produce this additional net cash income. Commonly only a little additional feed will be needed for the bullocks -- they will need more feed if they work more days.

This kind of analysis is needed family by family for a sufficient and representative sample of the farms in each province practicing the different systems of farming, with different rainfall and different irrigation systems, etc. The results obtained will vary greatly with the make-up of the diets in the different provinces. They should accept the existing composition of the diets except as they need to be supplemented to make the diets nutritionally adequate. Establishing diets as standards which an area is not accustomed to is a waste of social energy except as needed for nutritional adequacy.

If this procedure had been followed, a considerably different pattern of economic holdings by provinces, systems of farming, etc. would have been obtained; and in general, I am quite sure, would have called for smaller increases in size of holdings.

2. Dr. Lavanis may say that the second criterion, full employment for family labor, called for as large holdings generally as those obtained by the first method. First, I would say that the 365 days of 10 hours each that he has used as a criterion represents a "standard of work" which is inconsistent with the "standard of consumption" that he has set up. If somewhat fewer working days because of fewer acres would provide an adequate living, this would be desirable. In any case, a balance between these needs to be worked out for each of the families and holdings surveyed and analyzed. In this connection, the fact that calorie intakes are less with fewer days of hard work is of some significance.

3. Somewhat the same analysis applies to bullock labor. In any case, the savings in maintenance cost from keeping the bullocks at work nearly every day must be balanced against the input-output relations for the other input factors to achieve an economic least-cost and highest-profit combination.

4. The setting up of a uniform 250/ average maintenance per person for all the areas and farming systems would appear from the other evidence in the thesis to be highly unreal. (One uniform standard for my own country surely would be.)



5. More evidence than offered in the thesis is needed before one can accept a 250/ standard regardless of age, amount of work done, etc.

6. That the productivity of boy labor and woman labor varies greatly with the kind of farming is recognized in several statements. Still one arbitrary valuation is set upon these for all of them. This is bound to result in figuring out uneconomic holdings in many of the areas and kinds of farming. Each family and holding should have been analyzed by itself in terms of the capacity of it to utilize the available labor of that family. These results could be converted to an average family of 2.18 working units later if there was any purpose in doing this.

7. One of the most serious shortcomings of the methodology is that in computing the final figure for acres in an economic unit for the different provinces and systems of farming, some of the quantities used -- for example, total expenses of the holding -- are averages for all the castes combined. This assumes that somehow or other an average for all the castes combined fits all of them. Of course a major question at once raised is that of weighting: was the right number of holdings for each caste used in the averaging to give a true average? Furthermore, why should an average of the castes be used as a standard? (This is entirely aside from the issue of equality for all the castes.) It has been made clear in the foregoing that family maintenance needs to be worked out separately for each area, and likewise expenses of production.

Another set of the quantities that is subject to the same doubt is of course the average income per acre.

The next point raised is not one of methodology, but of concepts. Three concepts of consumption economics are confused in this study and all usually called "standard of living."

The first of these is illustrated by the allowance of 250/ per head for maintenance. The accepted terminology for this is "living standard," paralleling such usage as "food standards," "clothing standards," "housing standards." These are amounts of different kinds of food or clothing, etc. that someone else decides a population group should have.

The second is the actual goods and services that a population group is found consuming. The best term for this is content of living, but the term most commonly used in the United States is level of living. The consumption budgets compiled in Chapters IV and V are of this description.

The term standard of living is correctly used to include the consumption items that the families strive to obtain because they have been accustomed to having them or for other reasons.

To have distinguished between these concepts would have added considerable clarity to the analysis in this study.



What is suggested by the foregoing is a very different approach to the problem in hand than the one followed, namely, choosing one area at a time, surveying it enough to furnish a basis for determining representative or modal types of farms, and working out for each of these modal types an economic holding that takes account of reasonably possible reorganization, including consolidation of fragments, use of commercial fertilizer, better equipment, such shifting to mixed farming as well add to the real net product of the land, and the like, plus whatever additional acreages of land are needed. Many of the families will need no additional land after the foregoing improvements and reorganizations are worked out. They should have additional land only if more is needed to provide them adequate maintenance with these improvements and reorganizations already adopted. Their content of living should start improving from where it is now and rise to adequacy as fast as they adopt the improvements, etc. Further rises in content of living will come later as new technology in production is discovered and applied to agriculture generally.

If this procedure is followed, it will be found that the deficit in land to provide for the families now living on the land will be much less than computed in this study. The economic holdings will in general be considerably smaller than in this study -- a half less in some of the areas.

Along with the analysis of production potentials and economic holdings in farming should be worked out for each area studied by itself the potentials in the way of local and rural industry. They need to be analyzed even more carefully than the agriculture. Whatever Dr. Lavanina may think to the contrary, the reason that the cottage industries died out in much of rural India was that when an export outlet was provided for agricultural products, agriculture outcompeted these cottage industries. An actual increase in ability to feed population resulted, and the population expanded 54 per cent from 1881 on to 1931. It expanded much more than this in many sections of Indonesia. Under similar circumstances, it doubled in Puerto Rico from 1898 to 1940. In Indonesia and Puerto Rico, foreign capital contributed importantly to the expansion of agricultural output. In most of India, the export increased largely only because of shifting more workers into crop production. With the increase in farm population this made possible came a further splitting up of the land into smaller holdings and fragments. For various reasons, the landlord class was able to grab off a part of the increased agricultural output. But they spent most of this within India, and mostly in the same rural areas, so that it really had the effect of feeding more people. The point of importance in this is that the rural industries that are set up in any community in India must be able to compete with agriculture for labor. Exploration of possibilities along these lines in the past decade in various parts of the world have not been very encouraging. I am sure that industries can be found that have an economic place in much of rural India. But they must be studied carefully or they will die out as the level of living on farms is raised.

It cannot be too strongly stated that merely to set up economic farm holdings of the sort indicated by Dr. Lavanina's study will not solve the problem. What will happen is that those who are provided with, for example, 10 acres in place of their present 5 acres, will be hiring as laborers those who were small operators, or even renting them part of their 10 acres. (This happened in the United States when under the Tenant-Purchase program the



operators were sold "economic units" with more land than commonly handled in one unit in the area. In our South, many of the tenant-purchasers presently had croppers working part of their land.)

We must also recognize that at the best that can be expected, there will be no industrialization and urbanization of India that will draw people off to the cities at a rate that will reduce the pressure on the land sharply in the near future except in a few limited areas near cities where new industries have special advantages. This means that the workers will mostly be out in the rural areas and having to make a living on the land. (This is still true in the South and some other parts of the United States in spite of our very great industrialization.)

The foregoing points to the further conclusion that a program such as just outlined should not be undertaken in all of Uttar Pradesh at one time. Instead, it should be begun in a small group of areas selected because offering the best opportunities for employment in industry and trade as these expand, or rural industries, and then spread to other areas next in order of promise.

Needless to state, the farm families will need credit in order to finance the farm improvements and farm enlargements. Public credit is therefore an important part of the program.

The need for credit will be no less if the farming is cooperative than otherwise.

As for cooperative farming, plans for pilot undertakings in this should be worked out carefully to fit different situations in different areas. These plans should provide for both individual cultivation and joint cultivation of the land, and the same for ownership of the land, to see how each works out.

An alternative that Dr. Lavanina has not considered is that of having the government buy the land temporarily, long enough to consolidate the fragments into economic units, and sell these units on a long-time contract basis -- in South Korea, 600,000 peasants were sold farms on a 13-year contract basis, the price being 3½ crops of rice. This had to be done so rapidly in South Korea that time was not taken to consolidate the fragments. The landlords who are bought out in such a program can be paid in long-term bonds. The smaller owners will use what they sell their present holdings for as part payments on their improved and/or larger units.

Finally, Dr. Lavanina deals loosely with the subject of shifting to mixed farming. A combination of crop and livestock farming has possibilities in areas where part of the land is too rough to be cropped and can be used as pasture, or where fodder crops fit advantageously into the rotations. But one must never forget that cereal and root crops consumed directly by humans will feed from 5 to 10 times as many persons per acre than if they are first fed to dairy cows and the milk is then consumed. With beef animals, the ratio is nearer 30 to 1. It is true that the human diet needs proteins as well as calories, and that some proteins are more essential than others. But pulses provide most of the essential proteins. Hence diets that are adequate



nutritionally can be provided with a limited amount of animal protein. Accordingly, the adequate diets that are set up as standards in any area of India must take careful account of the relative productivity of the land for the essential foods in the diet. (I speak as one who has been a member of the Food and Nutrition Board of the National Research Council of the United States since it was organized in 1942.) In working up farm plans for economic units in the different parts of India, account must therefore be taken of how the foods produced contribute to economic diets for the families and the relative prices for the different products sold. Otherwise the lands of India will be wastefully used so far as providing good diets for the farm and other people.

May I suggest in conclusion that Dr. Lavanina also read some other books on the Russian collectives along with Karpinski -- for example, Jassy's, so that he can write more discriminatingly about them.



P.S. After having slept on what I had written, I thought of several other things that need to be said;

1. The use of the term "efficient" when Dr. Lavanis says the Jats are more efficient than the Brahmans needs to be explained. Among economists, efficiency refers to output per unit of labor and other inputs as well as of land. Does he mean that the Brahmans do not use hired labor or tenant labor efficiently or land efficiently, or what?

2. The approach to determining an economic unit outlined in the foregoing is that now being followed by the Tennessee Valley Authority (TVA). It is using the small tributary watersheds as the area unit in such analysis.

3. Also in such analysis, the TVA is not proposing to enlarge the farming units until it has analyzed the potentials of providing an adequate income for the people of these areas by improving the land and the farming. It wants to provide for as many of these people as it can where they now are. It should be clear that this should be the objective in Uttar Pradesh too.

4. The TVA is also now exploring carefully the credit needs of the farm families in these area units in order that they can be provided for to best advantage.

5. In all the discussions of low-income farms in the United States, there is clear recognition of the two-fold approach, by meeting the problem by improving their present holdings and farming and by enlarging the holdings. The first of these is usually considered as best to come first, except as it could result in increasing the output of some products faster than the market may absorb them. This latter is rarely a problem in India.



## Office Memorandum • UNITED STATES GOVERNMENT

TO : Lewis H. Rohrbaugh

DATE: December 23, 1952

FROM : Conrad H. Hammar

SUBJECT: Agricultural Credit Project for 1954 Expanded Budget

FILE COPY

In the 1954 expanded budget, I am including for the first time a project on agricultural credit. The purpose will be to set up a demonstration of supervised credit on the old FSA pattern in a selected Qada. I have provided for two specialists, costing \$32,000. One of these will be the field supervisor in the selected Qada. The other will sit with the Agricultural Bank to assure, as far as possible, that the demonstration is not sabotaged by inefficiency and venality at the top and to assure further that the lessons of the demonstration are not lost to top policy makers.

Unfortunately, there may be necessary some money for guarantees, interest, subsidies and extraordinary costs of the project which may not be payable by the bank under its charter. I cannot, at present, estimate what such costs will be and will have an idea of them only after considerable further negotiations with the bank and study of the project. I shall also wish to make an attempt to secure the necessary guaranty funds from the Development Board.

This note is to tell you that I wish very much to inaugurate the project, but that I may have some financial troubles because of the fact that I have been unable to budget the funds that may be necessary for guarantees and subsidies. I shall, however, go ahead unless you specifically advise otherwise.

cc: Paul E. Smith

I am familiar with this issue I discussed with JDH your possible use of Robinson on it, then asked him to collaborate with you.

2 The basic idea is a) a guaranty fund for a loan fund to be set up by the bank, which is possible under its charter.

3. The guaranty fund should be in our budget (if the Board comes in, so much the better). Pl. ease this up with me any approach to the Board.

4. The idea was to use as a primary (or area a Qada where we have experience - e.g. extension - do we need another loan for that.

CHHammar:rmsb

5-20.112 Original Credit

5 The proposal, for approval here, will need some input, will need success of adequate documentation  
HE 12/23



## Office Memorandum • UNITED STATES GOVERNMENT

TO : FILES

DATE: December 20, 1952

FROM : Conrad H. ~~Hammar~~ *CHH*

SUBJECT: Visit with Zainal of the Agricultural Bank

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Hancock came in with Robinson to participate in the discussion on what might be done in the field of agricultural credit, and the upshot of the conversation that developed was that it might be worthwhile to attempt a demonstration in supervised credit on the lines of the old Farm Security Administration using some selected Qada for the purpose. It was agreed also that a call would be made on Zainal of the Agricultural Bank to discuss the matter briefly with him.

As a result, Hancock and Hammar called on Zainal Wednesday, December 17, and he expressed himself as willing to consider a project. It was decided, therefore, that he (Zainal) would get together some information on the ownership pattern for farm lands in the Baghdad liwa and that we would do two things: first, prepare for him a statement explaining the nature and operations of the Farmer's Home Administration so that he might understand what was meant by supervised credit; and second, propose some scheme for a demonstrational Qada that the Agricultural Bank might consider. Subsequently, JDH and CH discussed these decisions with Robinson who agreed that he would prepare the required statement to present to Zainal. Prospects are that Robinson's proposals can be ready by some time next week, though it appears best to delay going to Zainal again until after Christmas.

cc: Dr. Rohrbaugh  
Mr. Hancock  
Mr. Robinson

CHHammar:rmsb

500.112 Agric. Credit Facilities



Feb. Agric. Credit.

## SUPERVISED DIRECT CREDIT FARM LOANS IN THE UNITED STATES

Since there is a very well established farmers cooperative credit system in the United States, it is perhaps desirable to briefly give some background for the organization of a direct government farm loan service.

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The great economic depression of 1928-32 caused the loss of markets for the products of a commercial agriculture such as had developed in the United States. Also, the common sources of credit ordinarily used by farmers had been destroyed through bank failures and bankruptcies of the short term credit agencies. Three or four years of this condition resulted in a great many farmers being financially stranded and in fact entirely insolvent. Farm laborers, share croppers and tenants who had wholly or partially been financed by their landlords were in worst financial condition.

Immediately after Franklin D. Roosevelt was inaugurated as President in 1932, various actions were taken to restore the economy of the country to a normal condition. Among these were the State Rehabilitation Corporations which were organized to administer rural relief. Large Federal monetary grants and allocations of money were made to these corporations with authority to make grants to needy families and to extend loans at low interest rates and on favorable repayment terms. In a year or two the rural relief condition had been abated and because of administrative factors it became apparent that the

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Agric. Credit



Federal Government should liquidate the State Corporations and establish uniform policies from Washington, D. C.

Gradually as the relief phase of the program disappeared, a clientele of low income farmers who were regular borrowers, crystalized. By far the largest number of these borrowers were tenants who were scattered pretty much at random over the agricultural regions of the United States. Because of the high tenancy percentages in the cotton and tobacco growing sections, this type of program pyramided in the Southern States.

As one part of the rural relief program, to care for industrial families stranded in farming areas, six Subsistence Homestead Projects were developed. The homesteads consisted of a low cost house with small farm outbuildings constructed on small acreages of good agricultural land. The theory was that with future periods of industrial unemployment, these families so located, could reduce their living to subsistence levels and survive without further governmental assistance. As a further part of the agricultural adjustment undertaken, land which upon use-classification was found unsuited to further crop use was purchased by the Federal Government and the families living on such land were resettled in communities on what was called Resettlement Projects. These homesteaders and resettlement farmers were uniformly Rehabilitation Loan borrowers.



Rehabilitation Loans were made to these families for the purpose of buying both consumable and capital goods. In the first class were such things as food, feeds, seed and fertilizer. In the latter class were such things as farm implements, mules, horses, cows, hogs etc.

As the Rural Rehabilitation Loan program progressed it gradually became a sounder program, when measured by the percentage of the loan principal repossessed through repayments. One strengthening factor was the work of the County Committee composed of farmers who investigated the character of the applicants and their need for loans. Also the County Supervisor who is a federally paid person assisted in the investigations and advised with the County Committee.

Before approval is given to a loan application a determination is made that the borrower is not eligible for other approved lines of credit. He may, for instance, be required to present a certification from the Production Credit Administration (A member of the Farmers' Credit Administration) that he cannot meet their requirements for a loan. In reverse, as soon as his financial condition has been sufficiently improved he will be referred to the PCA for financing. The applicant for the Farm Home Administration loan must be a bonafide farmer. He must have through ownership or lease arrangement, possession of a farm of satisfactory size and fertility. He must have a good reputation as a citizen with especial emphasis on his honesty.



When an applicant has met the initial requirements for eligibility for a loan, the amount of the loan is determined "on the farm" with the farmer through a personal inspection of the farmers presently owned equipment, his livestock and the land he is to operate. The type of farm operation whether it is largely crops, largely livestock or a balanced combination of the two, ~~will be~~ will be a factor in arriving at the farmers individual needs for credit. The County Farm Supervisor makes these decisions at the time he visits the farmer-applicant on his farm and at the time he develops with the applicant a farm plan covering the operations for the ensuing crop year. The farm plan includes an inventory of the applicants farm machinery, livestock, feeds, fertilizers, salable crops that have not been marketed and other items that would have an effect on the amount of money needed in the loan. Also the farm plan will include a land use table showing the acreage to be devoted to the production of various crops as well as estimated yields and total productions from each. In order to arrive at possibilities for loan repayment, estimates are made as to quantities of salable products and a total gross farm income is developed. A loan is never approved unless the farm plan developed, using very conservative estimates, justifies it.

When the farm plan has been prepared and approved, a loan agreement is signed by the borrower. This document prescribes the annual payments to be made. If the loan was made for the purchase of capital goods, the repayment schedule will cover payments for 5 years, which is the maximum time allowed. If the loan were made



for consumable goods only, the entire amount of the loan with interest will be due in the first year after cash crops are harvested or at intervals throughout the year if livestock or livestock products are sold. In case of family illness or misfortune or crop failure justified, it annual payments will be deferred without foreclosure. A mortgage, which is legally recorded, is given by the borrower to secure the loan. The mortgage will usually include chattels already owned by the borrower as well as those to be purchased with proceeds from the loan. Also the mortgage will include a lien on all crops produced in the crop year's operation.

When the loan is approved, the money loaned is deposited in a joint deposit account in a bank. A check to be valid must be signed by the borrower and countersigned by the County Supervisor. This prevents use of the funds for purposes other than those for which the loan was approved. Also it insures that items purchased with loan funds are worth the price being paid. This practice applies to all borrowers and there is therefore no ground for claim of discrimination.

In the event of conditions that are beyond the control of the borrower which prevent him from meeting payments as agreed upon, annual payments which are due are deferred and included in a refinancing plan. All practical leniency is exercised in such cases except that care must be taken to not extend sympathy in unmerited cases.



During the crop year, the County Supervisor, who in almost all cases is a graduate of an Agricultural College, through routine visits to the farm keeps in touch with the borrower's farm work and advises him on approved practices which should increase his earning capacity. The borrowers therefore has available to him at all times technical assistance in all major decisions and farm operations. This technical assistance might be influencing the farmer to plant an approved variety of hybrid corn, a variety of cotton having a better staple, buying a purebred sire, improving a pasture or installing farm sanitary conveniences.

With a new group of borrowers whose activities and performances are unknown about 100 is considered a case load for one Supervisor. As the Supervisor becomes acquainted with the borrowers and has had a chance to observe their response to assistance, he can enlarge the case load, probably double it in three years. On a close resettlement project there is a saving in time required in driving from farm to farm and also there is better opportunity for instructions in group meetings. This makes it possible for one Supervisor to handle an increased case load.

Each county office must have one clerk-stenographer. If there are numerous borrowers there is an Asst. County Supervisor. The salaries and automobile travel costs of the county personnel are paid by the Federal Government. This is, of course, a subsidy to the group of low income borrowers served by the county office. Also the members of the County



Committee are paid a nominal per diem for the days worked. The cost of the County Committee is not a considerable item. In the Farm Home Administration in the United States there is a central office in Washington, D.C.C. There is a field office in each state. The state office coordinates and generally supervises and coordinates the work done in the county offices. The main thing to bear in mind that the cost of administration in the entire program is paid for by annual direct appropriations by Congress. There is no administrative cost to the borrowers.



Files

December 20, 1952

Lewis H. Rohrbaugh

Agriculture

5  
COPY FILE

On 12-16-52 J. D. Hancock and LR talked about the possibility of the Division of Agriculture's use of Robinson for a temporary period. Discussed was the possibility that Robinson, working in conjunction both with the Miri Sirf group and the Agriculture Division, might be helpful in laying the groundwork for a program of supervised credit, handled by the Agricultural Bank and with the possibility of TCA putting up sort of a guaranty program--a program which would merely guaranty that any losses suffered by a lack of repayment would be made up from the fund, but with a loan fund itself to be capitalized by the Agricultural Bank.

The point was made that if funds were available we could undertake such a program only in instances where the possibilities of supervision are ready, i.e., the extension program, the rural improvement program and, especially, the Miri Sirf program. It was agreed that Hancock and Hammar should discuss this and that in the approaches to Akram Zainal, in charge of the Agricultural Bank, the discussion should be only of a very tentative nature and with a view to merely laying the groundwork.

5-00.112 Agric. Credit



DEPARTMENT OF THE UNITED STATES  
OF AGRICULTURE

UNCLASSIFIED

# OPERATIONS MEMORANDUM

BAGHDAD

TO: Amembassy, BAGHDAD

FROM: The Department of State

SUBJECT: TCA - Agricultural Credit In The United States

REF: None

*Agric. Credit*

AC- TION	INTO	ROUTE TO	INITIALS
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	June 20	ATT	
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Transmitted for your review and use is the attached publication on Agricultural Credit in the United States.

It should be noted that this document is not all inclusive and presents only Agricultural Credit offered by the Farm Credit Administration and the Farmers Home Administration, and does not cover in detail the operations of the Commodity Credit Corporation, cooperative credit of all kinds and private agricultural credit.

*File on Agric. Credit.*

*LA 7/12  
Dr. H. H. H. H.*

*500 Pt. IV*

Enclosure:

Publication.

FILE COPY

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*agric credit*



FORM M-120  
4-18-47

DEPARTMENT OF STATE

ENCLOSURE

COMMUNICATION ADDRESSED TO

Amembassy, BAGHDAD

OFFICE }  
DIVISION } TCA:NEADS

FILE NO.



A G R I C U L T U R A L   C R E D I T

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U N I T E D   S T A T E S

April, 1952

Prepared in Cooperation with the  
United States Department of Agriculture

Mutual Security Agency  
Washington, D.C.



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## DEVELOPMENTS IN AGRICULTURAL CREDIT IN THE UNITED STATES

This report on agricultural credit is divided into three parts. The first part deals with some of the factors or forces present in the rise of agricultural credit institutions in the United States. Emphasis is on conditions that hindered developments or brought about changes in rural credit facilities, and the evolution of agricultural credit facilities. The last two sections present a brief summary of the functions and organization of the Farm Credit Administration and the Farmers Home Administration.

The nature and scope of present agricultural credit facilities and the manner in which they developed, should be of interest to officials of other governments. It is recognized, of course, that farm credit problems in the United States have been distinctly different, in many respects, from those in other countries. One of the major differences is the non-existence in some countries of well-organized capital markets in which bonds or debentures can be sold. Thus, a readily available supply of loan funds must come from other sources. Another important difference in many countries is the self-sufficiency of the farm unit in contrast to the rather highly commercial type of agriculture in the United States. Nevertheless, background information on agricultural credit experience in the United States should be helpful in the improvement and development of rural credit institutions in other countries that will make for increased agricultural production and the improved welfare of farm people.

The evolution of agricultural credit facilities in the United States has been closely related to the transition of American agriculture from the raw land stage to the present pattern of improved farms largely of a size adapted to family operation and producing on a commercial basis with extensive use of mechanical power and equipment. The demands for credit have reflected differences in both the geographic and technological phases of this transition. In the geographic phases, development generally has moved from east to west. In each stage involving the conversion of unimproved land into stable communities of farm homes, not only have the needs for capital been heavy but since these almost invariably have been deficit capital areas, the problem of finding adequate loan funds has been aggravated. On the other hand, as agriculture developed, farmers needed new buildings, more and better equipment and machines, more livestock, better seed and more fertilizer. These demands represented additional capital investments and such investments in turn generally required larger amounts of credit. Such demands for financing were added to the regular requirements for purchase of land and financing annual operating expenses.



During the early period of the development of agriculture in the United States, farm units were usually small and credit needs were, in part, in the nature of consumer credit. There was a close relationship between farm operation and family living. Under these circumstances, the combination of relationships made it difficult to draw a line between loans for production and those for consumption purposes. Because of natural factors -- weather, plant diseases and pests -- the element of risk in making loans was high for the country as a whole and, indeed, at times very high in local areas. Added to this was the slow turnover in the farmers operating capital, with the usual limit on regular bank loans being too short a period for the repayment of crop and livestock loans.

In colonial days and even extending into the 19th century, the solution to the lack of loan funds was believed to be the creating of additional money. Consequently, there was a variety of plans and experiments in organizing credit institutions which could create loan funds or money. These experiments included public loan offices, several types of land banks and property banks, and proposals to increase the amount of currency in various ways. The creation of the national banking system in 1864 was the first step in the formation of the permanent general banking structure. Because of unsatisfactory credit experiences during the preceeding period, however, national banks were forbidden to take real estate as security for loans. Capital requirements also precluded them from being set up in many agricultural districts.

In the frontiers there were few savings among the people but the demands for capital were high. Consequently, interest rates also were high. During the development of the agricultural areas of the great Mid-west and the Far West, which occurred during the latter part of the 19th century and the first part of the 20th century, agricultural credit needs had to be satisfied to a large extent by importing capital from the Eastern States. Low agricultural prices during the 80's and 90's and unfamiliarity with conditions in the frontier regions made capitalists in Eastern States reluctant to make loan funds available.

The policy followed generally by the Government in developing agricultural lands was to encourage family-sized units. Various legislative acts contributed to this, but most important was the Homestead Act of 1862 which set the pattern for a long period of time in the development of family farms. With numerous, relatively small units, therefore, the problem of making loan funds to each individual farmer also was increased. In these circumstances, agitation increased in volume for improved agricultural credit facilities. Farmers felt that they should have the same opportunity for obtaining loan funds at



moderate rates of interest as railroads and other corporations. This feeling took form in the Greenback, Populist, and Free Silver movements, with their promises of plenty of money for everyone and especially the farmer. In 1908 the Country Life Commission, appointed by President Theodore Roosevelt, called attention to the lack of any adequate system of agricultural credit and discussed the cooperative approach to systems of mortgage credit. In 1909 the National Monetary Commission, which also had been appointed by President Roosevelt to study general banking conditions, included a detailed account of the German "Landschaft" system. Various other efforts were made to study agricultural credit systems in European countries. The more important of these was the sending of two commissions to Europe in 1913. They published a joint report in 1913-14. The growing interest, and the demand for, provision of improved agricultural credit facilities finally culminated the Federal Farm Loan Act of 1916. Under this Act was organized the first portion of the present permanent agricultural credit facilities in the United States.

It should be noted, however, that just prior to the establishment of the Federal Farm Loan system, the Federal Reserve Act of 1913 became law. In regard to agricultural credit, six month agricultural paper became eligible for discount by the Federal Reserve Banks and member banks were allowed to make a limited number of mortgage loans on real estates. In some areas of the United States over one-half of the discounts in 1918 were on agricultural paper.

The underlying forces that gave rise to the Federal Farm Loan system may be summarized as: (1) family farm operators needing credit in appropriate amounts were at a disadvantage in obtaining credit in comparison with large industrial or commercial units; (2) private credit agencies were not distributing credit to farmers as economically as was possible; (3) variations in loan rates were excessive; (4) there were wide differences in the amount of credit in various parts of the country available; (5) cooperative forms of organization would be substantially helped by being able to obtain credit on more reasonable terms; and (6) the Federal Government should assume some responsibility in providing special credit facilities for farmers.

The role assigned to the land banks under the Federal Farm Loan Act was that of enabling farmers to obtain credit on terms consistent with the soundness and stability of the agricultural industry. This was to be accomplished by pooling the mortgages given by farmers and using these mortgages as collateral for bonds that could be sold in central money markets. Federal regulations and supervision were expected to assure that the land banks would make sound loans and the bonds would be good.



The Federal Land Banks began operations in 1917, but the inflationary effects of World War I gave rise to additional credit difficulties. The War, with its rising price level, followed by a short period of great agricultural prosperity, ended in a precipitous drop in prices and by 1921 agriculture was in a state of extreme depression. Farm cash income fell from about 14½ billion dollars in 1919 to a little more than 8 billion in 1921. This income was not sufficient to support the swollen debt and tax structure that had been built up during the preceding years of high prices. Considerable numbers of farmers who had incurred large debts became insolvent; and even lightly indebted farmers had difficulty in meeting their obligations.

The effect of the change in economic conditions was disastrous not only to farmers, but to many of those who had been financing farmers. Country banks began to fail in large numbers; there was a high rate of mortality among credit merchants and cattle loan associations; and, in many cases, drastic measures were taken by loaning institutions and creditors in order to collect their outstanding loans.

In an effort to alleviate this chaotic condition, the War Finance Corporation was revived in 1921 with authority to discount agricultural paper for banks and livestock companies and to aid cooperative associations in obtaining sufficient funds for their operations. The Corporation was able to assist greatly in cushioning the deflationary tendencies at work at the time and in preventing destructive liquidation.

The experience during this period led to the conclusion that there was a need for a permanent institution to meet farmers' requirements for short-term credit. This resulted in the establishment by Congress in 1923 of the Federal Intermediate Credit Bank System. These banks were authorized to discount agricultural paper for banks and other local credit agencies, such as agricultural credit corporations and livestock loan associations, and to make loans to cooperative associations for the marketing of crops and livestock.

Farm conditions during the latter part of the 1920's and early 1930's continued to grow worse. Farm income dropped from more than 11 billion dollars in 1928 and 1939 to only 4.7 billion in 1932. Debt and tax delinquency increased to record levels. Under the stress of these conditions, the agricultural credit mechanism became dangerously impaired. More than 5,000 banks failed during the 3 years, 1930-32; many hundreds of others were immobilized under State stabilization laws and those that survived were, in most cases, under such heavy strain that their credit-extending powers were almost destroyed. Drastic action was required to deal with the situation.

At various times during the 1920's, Congress had appropriated small sums for what were called seed and feed loans to help farmers in drought, flood or storm-stricken areas, who were unable to obtain credit from other sources. In 1931, nearly 56 million dollars was extended for seed and



feed loans. As conditions went from bad to worse in the early 1930's, the Secretary of Agriculture was authorized to use a portion of a 20 million dollar appropriation to make loans to assist in capitalizing agricultural credit corporations, livestock loan companies, and similar organizations which could discount agricultural paper with the Federal Intermediate Credit Banks.

In 1932, the Reconstruction Finance Corporation was established to serve a purpose similar to that of the War Finance Corporation during the 1920-21 depression. During 1932, the Reconstruction Finance Corporation loaned about 850 million dollars to bank and trust companies. It also established a number of corporations called Regional Agricultural Credit Corporations for the specific purpose of extending credit to farmers and ranchers. Until the formation of the production credit associations in 1933, these corporations provided valuable emergency financing, especially to the livestock industry. After May 1, 1934, they were used from time to time for special emergency conditions. The last of the corporations was liquidated in 1949 and in their place the Secretary of Agriculture was authorized to make direct loans in specially designated disaster areas. The Secretary has delegated this function to the Farmers Home Administration.

The critical economic situation of the latter part of the 1920's led to the setting up in 1929 of a revolving fund of \$500,000,000 for the newly created Federal Farm Board which was authorized to make loans for two general purposes: (1) commodity loans, as a means of attempting to stabilize prices; and (2) loans for the purpose of encouraging the development of farmers' cooperatives. The stabilization loans resulted in heavy losses when prices fell in 1930 to 1932. Efforts to smooth out price fluctuations through loans were continued in 1933 by the establishment of the Commodity Credit Corporation, which is still functioning. This corporation makes loans on the security of stored commodities and is a part of the general farm price support program of the United States Department of Agriculture.

A further result of the sharp drop in farm income and generally unfavorable economic conditions, which began in 1930 and reached serious depression conditions in 1932 and 1933, was the formation in 1933 of the Farm Credit Administration. The old Federal Farm Board was changed to the Farm Credit Administration and to this new organization were transferred the Federal Land Bank and Federal Intermediate Credit Bank systems, the Regional Agricultural Credit Corporations and the Emergency Seed and Feed Loans. Two new credit systems were created and also placed under the Farm Credit Administration - the Production Credit System and the Banks for Cooperatives. The initial capital for the Production Credit Systems was appropriated by the Congress. The Banks for Cooperatives were capitalized from the balance of \$178,000,000 remaining from the original fund of \$500,000,000 made available to the



Federal Farm Board in 1929.

The principal purpose of the organizations transferred or created in the Farm Credit Administration was to provide permanent sources of credit to individual farmers and their cooperative marketing and purchasing associations. There were some other activities, however, which were directed particularly toward the immediate need for assistance to farmers during the depression period. One of these was the refinancing of farm mortgages threatened with foreclosure or in serious difficulty. To facilitate refinancing this program by the Federal Land Banks, there was created the Federal Farm Mortgage Corporation, with an initial capital of \$200 million and authority to obtain additional loan funds by issuing bonds. This corporation was authorized to make loans through the Land Bank Commissioner on the security of farm mortgages, supplementary to the first mortgage loans made by the Federal Land Banks. Under this refinancing program, thousands of farms were saved to owners faced with foreclosure.

Closely related to the refinancing program was the work of the voluntary Farm Debt Adjustment Committees organized at the suggestion, and with the assistance, of the Farm Credit Administration. State and County committees, created in most of the States, provided a means under which cases of indebtedness clearly in excess of the ability of the debtor to pay might be settled without court action. This program also averted foreclosure on thousands of farms.

Another development following 1932 was the provision made for rehabilitation of low income farmers. This new development was more than an extension of the seed and feed loan programs. Loans for such purposes were continued as "emergency crop and feed loans", but in 1946 the whole activity was transferred to the Farmers Home Administration. The rehabilitation program reflected an enlarged sense of public responsibility for the welfare of disadvantaged farmers.

The rehabilitation program had its beginning in the Federal Relief Administration; was developed by the Resettlement Administration; was carried forward, expanded, and refined by the Farm Security Administration, and is continued in modified form by the Farmers Home Administration. The general objectives of the program have been to provide disadvantaged farmers with the facilities essential to efficient farming, and to improve their diet, their health, and to promote farm ownership. Loans, grants, technical advice and supervision, improved leases, resettlement projects, labor camps, cooperative work projects, and assistance in forming cooperative purchasing and marketing associations were essential links in the chain of processes employed in this program to raise the living and cultural standards of low-income farmers.



By 1940, between one-fifth and one-fourth of all farm families had been assisted in one way or another by the Farm Security Administration and its predecessors; the rehabilitation loans outstanding to individual farmers amounted to 320 millions of dollars; and tenant-purchase loans and loans for the construction of farmstead improvement amounted to about 58 million dollars.

In covering agricultural credit developments in the United States, mention should also be made of the Rural Electrification Administration. This agency was established as a result of the slow progress which had been made in providing farm people with the conveniences and economy of electricity comparable to those enjoyed by most city people. The Rural Electrification Administration was established by Executive Order in 1935 and in 1936 Congress provided the basic law under which the agency operates. Its original purpose and main activity have been to make loans to rural electrification cooperatives to finance the building and operating of electric distribution systems. As a result, loans have been made to approximately 1000 cooperatives, and the percentage of farm homes served with electricity increased from 10.9 percent in 1934 to 84 percent on June 30, 1951. In 1949 Congress also authorized the Rural Electrification Administration to make loans to finance rural telephone service. This program is now actively under way.

While the credit furnished by Federal or Federally sponsored agencies probably does not exceed 20 percent of all credit used by farmers and their cooperatives, the standards set by their policies and procedures exert a beneficial and constructive influence throughout the entire agricultural credit structure in the United States.

American agriculture has played a vital part in the continued growth of a strong productive national economy. The special agricultural credit agencies that have been established have contributed much to this growth and to the American system of family farms with their high production and support to democratic institutions.



## FUNCTIONS AND ORGANIZATION OF THE FARM CREDIT ADMINISTRATION

The Washington office of the Farm Credit Administration exercises general supervision over a system of federally sponsored institutions designed to provide both long- and short-term credit to farmers and to farmers cooperative associations. The general purpose of the system is to supply farmers with a dependable source of credit at all times on a sound basis through coordinated, cooperative credit facilities. The institutions of the Farm Credit Administration may be grouped into four major credit units, (1) the Federal land bank system, which provides long-term, real estate credit to farmers; (2) the banks for cooperatives, which provide loans to farmers' cooperative associations; (3) the production credit system, which provides short-term production credit to farmers; and (4) the intermediate credit system, which provides credit and discount facilities for local lending institutions and cooperative associations serving farmers and stockmen.

### Sources of Agricultural Credit in the United States

The Farm Credit Administration at present accounts for only a small portion of the total amount of credit used by agriculture. Before describing the organization of the Farm Credit Administration, other sources of credit available to farmers are briefly discussed. Some knowledge of credit facilities in this country is necessary in order to understand the role played by the Farm Credit Administration in serving the credit needs of farmers. The Farm Credit Administration was not designed to dominate the credit market but to make available to agriculture a sound, dependable source of credit during times of financial stringency as well as during times of prosperity, and to act as a leader and to set standards for interest rates, terms, and general credit services adapted specifically to the needs of farmers and their cooperatives.

A farmer who needs credit may obtain a loan from one of several different sources. Long-term, real estate loans are obtained chiefly from insurance companies, commercial banks, the Farmers Home Administration, the Federal land banks, and from individuals. Chief sources of short-term or non-real estate credit are commercial banks, the Farmers Home Administration, production credit associations, and individuals, merchants, dealers, cattle loan companies and other miscellaneous lenders.

Long-term credit - Insurance companies generally lend only in the better agricultural sections where the value of farm units is



high. In some of the better farming areas they supply a larger volume of credit than any other lender. Loans are usually amortized, running for terms up to 20 years or more. Interest rates are lower than average, usually ranging from 4 to 5 percent per annum.

Commercial banks make real estate loans in all sections of the country, but the proportion of the total varies from over one-half in sections of the Northeastern States to less than one-tenth in sections of the Plains States. In order to maintain a liquid position and because of regulations imposed by laws under which they operate, the proportion of funds which may be invested by banks in real estate is 5 years or less. Interest rates are higher than for any other lender group, with 5 to 6 percent being the most common.

The Farmers Home Administration, a Government agency, makes real estate loans for the purpose of helping farm tenants, laborers, and sharecroppers purchase farms and of helping owners enlarge under-sized farms and improve underdeveloped farms. Only those applicants are eligible who cannot obtain credit from other sources at reasonable rates. Loan funds are appropriated directly by Congress.

Individuals are an important source of real estate credit in all areas of the United States. Loans by individuals usually originate when the seller of a farm takes back a mortgage as part payment, or a farmer obtains a loan from an individual who has money to invest. Terms on the majority of these loans run for 5 years or less. Interest rates are comparatively high but average slightly less than for commercial banks. Other lenders are a minor source of real estate credit and include such groups as religious, educational and fraternal organizations, mortgage and investment companies, and building and loan associations.

The Federal land banks will be discussed in detail later. The table below shows the amount and percent of long-term or farm real estate credit held on January 1, 1951, by each lender group:



Type of lender	Amount (million dollars)	Percent of total
Federal land banks	948	16.3
Federal Farm Mortgage Corporation <sup>a/</sup>	44	0.7
Insurance companies	1,341	23.0
Commercial banks	943	16.2
Farmers Home Administration	214	3.7
Individuals and miscellaneous	2,338	40.1
Total	5,828	100.0

Short-term credit - Commercial banks are the most important single source of short-term credit, currently accounting for over one-third of the total amount outstanding. Banks making agricultural loans usually have a business relationship with the farmer as a depositor as well as a borrower, and, knowing the farmer, are able to make him a loan promptly and with a minimum of investigation when he applies for one.

The Farmers Home Administration also makes short-term loans to farmers for the purpose of helping them meet production expenses and buy the livestock, machinery and other items they need to make improvements in their farming. The credit service is supervised and is available only to farmers who cannot obtain credit elsewhere.

Over one-third of the total volume of short-term credit used by farmers is supplied by individuals who have surplus funds to invest, and by dealers in fertilizer, feed, farm equipment and supplies, who make credit sales to farmers who do not have the ready cash available to pay for the articles purchased. Interest rates charged by this group are generally higher than the rates charged by institutional lenders.

The following table shows the amount and percent of short-term debt held on January 1, 1951, by each lender group. Loans by the Commodity Credit Corporation are made only on farm commodities in connection with price support operations and do not represent loans

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<sup>a/</sup> Placed in liquidation July 1, 1947.



for production, family living, or refinancing purposes. Loans by the production credit associations and Federal intermediate credit banks will be discussed in detail later.

Type of lender	(Million dollars)	Percent
Commercial banks <sup>a/</sup>	2,524	37.2
Production credit associations <sup>a/</sup>	451	6.7
Federal intermediate credit banks <sup>b/</sup>	62	0.9
Farmers Home Administration	335	4.9
Commodity Credit Corporation <sup>c/</sup>	806	11.9
Others <sup>d/</sup>	2,600	38.4
Total	6,778	100.0

<sup>a/</sup> Excludes Commodity Credit Corporation guarantees.

<sup>b/</sup> Loans to and discounts for private financing institutions only, excluding CCC guarantees. Total of all loans and discounts held by FICB's amounted to 481 million dollars.

<sup>c/</sup> Includes loans held by institutional lenders and guaranteed by the Commodity Credit Corporation.

<sup>d/</sup> Includes individuals, merchants, dealers, and other miscellaneous lenders. Estimated by the Bureau of Agricultural Economics.

### History of the Farm Credit Administration

A brief discussion of how the Farm Credit Administration came into existence and why it was organized will be helpful in understanding the role and objectives of the present organization. The Farm Credit Administration had its beginnings in 1916 when Congress enacted the Federal Farm Loan Act, which created the 12 Federal land banks. Prior to 1916, there was no credit system in the United States specifically designed or adapted to meet the needs of agriculture. Farmers were forced to utilize as best they could the credit facilities that had been developed primarily to meet the needs of industry and commerce. Insurance companies tended to make loans only in areas where loans were large and numerous and risks were low, while commercial banks, especially in high risk areas, had to subordinate farm mortgage lending because of the prior obligation of depositors. There was no general means of bringing together farmers who needed credit and prospective investors with surplus funds. The loans made were usually for short periods of time, the average terms for real estate loans in



most parts of the country being 5 years or less. At maturity the borrowers usually could not retire the entire debt and had to arrange for a renewal, or refinancing, for which heavy charges were often made. In times of financial stringency it was difficult, if not impossible, to secure renewal or refinancing at any cost. The average interest rates and commissions on farm mortgages in 1915 for the various States varied considerably and ranged as high as 10 percent or more.

The Federal Farm Loan Act of 1916 represented the results of long study of European credit cooperative systems; it was the first effort to make available to farmers in the United States a credit system designed for and adapted to the needs of agriculture. Briefly, the method was to tap the investment market by pooling mortgages of individual farms and issuing Federal land bank bonds in convenient denominations, with the mortgages as security back of the bonds. The pooling of mortgages and issuing of bonds made it possible for the farmer in a high risk, high interest rate territory to get a long-term, low-interest rate mortgage on a basis similar to that available to the farmer located in a more favorable area.

The situation regarding short-term credit was about as unsatisfactory as the situation regarding long-term credit. Credit was not available to farmers on terms and conditions which would meet their needs and there was no way by which agriculture could reach the money markets of the country for its short-term credit requirements. Banks had loaned liberally during the prosperous World War I period, but when prices declined from 1920 to 1923 losses resulted and many were forced to call their loans to meet withdrawals of depositors. Following an exhaustive study, Congress in 1923 established a permanent system of Federal intermediate credit banks which, through the sale of securities in the investment market, could obtain funds for the extension of seasonal credit to local lending institutions serving farmers and stockmen, and to farmers' cooperative associations. The intermediate credit banks do not lend directly to farmers but to agencies lending to farmers, obtaining funds through the sale of debentures in the money market backed by the notes and mortgages of farmers.

Later developments revealed that this was not an adequate solution to the short-term credit problem primarily because many private lending agencies, including those which rediscounted their paper with the Federal intermediate credit banks, did not meet the credit needs of farmers. Many private agencies failed because of inadequate capital, unsound management or for other reasons, and many banks, because of falling prices, did not want to run the risk of borrowing funds to lend to farmers. Accordingly, Congress, after extended hearings which were participated in by agricultural and other leaders, authorized, in the Farm Credit Act of 1933, the establishment of production credit corporations and a country-wide system of local cooperative agencies called



production credit associations, which were designed to make production credit easily accessible to every farmer in the country.

The Farm Credit Act of 1933 brought into one organization the land bank system and intermediate credit system, it created the production credit system and also created a permanent system of credit for farmers' cooperative associations by the establishment of 13 banks for cooperatives. Farm cooperative marketing and purchasing associations needed credit in larger amounts or for longer periods than commercial banks could generally supply. Through various legislative enactments, including that creating the intermediate credit banks, Congress had provided forms of credit for financing farmers' cooperative associations. However, it was believed necessary to have a more extensive and decentralized lending service in whose ownership and control the borrower cooperative associations would participate. The Farm Credit Act of 1933 provided for the organization of the banks for cooperatives and authorized them to make loans to cooperative associations.

Thus the Farm Credit system was designed and organized to provide credit to farmers and their cooperative organizations on a sound credit basis in prosperous times and in depression times.

#### Organization of the Farm Credit Administration

There are three levels of organization of the Farm Credit Administration, (1) the central supervisory office located at Washington, D. C., (2) 12 district offices, and (3) local cooperative associations known as national farm loan associations and production credit associations which deal directly with individual farmers. The Washington office, with the exception of the Central Bank for Cooperatives, described more fully later, does not make any loans; it supervises, coordinates, examines, and furnishes various services to the institutions of the system.

Each of the 12 district offices serves a designated territory known as a Farm Credit District. The 12 districts were so arranged as to contain a diversified set of farming areas. In each district there is a Federal land bank, a production credit corporation, a bank for cooperatives and a Federal intermediate credit bank. Each district has a board of directors known as the Farm Credit Board. The members of this board are ex officio directors of the individual institutions, and in that capacity administer the affairs of these organizations. There are seven members on each Farm Credit Board. One of these members is elected by national farm loan associations, one by production



credit associations, one by cooperatives borrowing from the bank for cooperatives in the district, three are appointed by the Governor of the Farm Credit Administration, and one is appointed by the Governor from the three candidates receiving the greatest number of nominating votes by national farm loan associations in the district.

Federal land bank system - Federal land bank loans are made through local credit cooperatives called national farm loan associations. The 12 Federal land banks were established under the Federal Farm Loan Act of 1916 as permanent institutions designed to provide long-term farm mortgage credit for agriculture at rates of interest determined by the costs of borrowed funds plus a margin for operating expenses and for reserves. The Federal land banks were originally capitalized by the Federal Government, but became fully member owned in 1947. The borrowed funds are obtained through the sale of Federal farm loan bonds (presently with terms between 3 and 10 years) issued as joint obligations of the 12 banks and secured by first mortgage farm loans deposited and pledged with the farm loan registrars for the respective Farm Credit districts. All loans must be secured by first mortgages on farm land. No loan can exceed 65 percent of the appraised normal agricultural value of the farm and no loan can be made to a person who is not engaged or is shortly to become engaged in farming operations. Normal agricultural value as defined by the Farm Credit Administration is the amount a typical purchaser would, under usual conditions, be willing to pay and be justified in paying for the property for customary agricultural uses, including farm home advantages, with the expectation of receiving normal net earnings from the farm.

Each borrower is required to purchase stock in the local association amounting to 5 percent of the loan, which is repaid at par at the time the loan is completely repaid. The loans are repayable on an amortization plan which will repay the debt within an agreed period of not less than 5 years nor more than 40 years, but borrowers are usually permitted to repay the loans without penalty at any time before maturity. Dividends are paid by the Federal land banks to the national farm loan associations, which, in turn, may pay dividends to its member borrowers. Loans currently made through 9 of the 12 banks bear interest rates of 4 percent per annum, loans made through 2 banks bear rates of 4 - 1/2 percent per annum, while loans made through the remaining bank bear interest rates of 5 percent. There are currently 1,191 national farm loan associations in the United States with a membership of more than 300,000 farmers or ranchers. Each association elects its own board of directors from its members; this board is responsible for the activities of the association.

Production credit system - The production credit organization within each district consists of a production credit corporation and a



number of local cooperative production credit associations. The production credit corporations themselves make no loans. Their activities are limited to partially capitalizing and supervising the associations which provide a short-term credit for general agricultural purposes at reasonable cost and on terms and conditions suitable to the borrower's needs.

A production credit loan is obtained through one of the local associations and may be made for any general agricultural purpose. Loans are made for any amount from \$50 up. In most cases when a production credit loan is approved a "budget" plan is worked out for the borrower. Under such a plan, arrangements are made for the borrower's financial needs during the season and for advancing the funds as needed. In addition, the borrower agrees to repay the loan from sales of certain farm products as sales are made. Interest does not start on any part of a production credit association loan until the borrower draws the money and when he repays any part of the amount advanced, interest charges cease on the amount repaid. Thus, interest is paid on each dollar for only the exact number of days it is used. As in the case of national farm loan associations, the membership of a production credit association elects its own board which is responsible for management of the association. The associations obtain their lending funds principally by rediscounting with and borrowing from the Federal intermediate credit banks.

Each borrower is required to purchase stock of the association in an amount equal to 5 percent of his loan. The loans are written to mature within one year, but renewal of a portion of some types of loans, such as those of a semicapital nature, is frequently anticipated at the time the loans are made. The interest rate for most associations is 5 1/2 to 6 percent per annum. There are currently 500 production credit associations in the United States, with a membership of about 450,000 farmers and stockmen.

Intermediate credit system - The 12 intermediate credit banks were established under the Agricultural Credits Act of 1923. They do not make loans directly to farmers but were designed to operate as banks of discount and to give agriculture access to investment markets in the large money centers. They operate by selling debentures to the investing public, usually with terms of less than one year, and by using the proceeds to purchase and discount notes of farmer borrowers for production credit associations, national or State banks, trust companies, agricultural credit corporations, livestock loan companies and other financing organizations. The intermediate credit banks also make loans to the banks for cooperatives and, in certain instances, to production credit associations. The discount rate in most banks is 2 3/4 percent at the present time.



The banks for cooperatives - The Farm Credit Act of 1933 authorized the organization of 13 banks for cooperatives, one in each of the 12 Farm Credit districts and a Central Bank for Cooperatives located in Washington, D. C. Each of the 13 banks for cooperatives makes loans to eligible cooperative associations engaged in marketing agricultural products, purchasing farm supplies, and furnishing farm business services. Cooperative associations of national or broad regional scope usually are served by the Central Bank in Washington, D. C. The banks for cooperatives offer three types of loans to cooperative associations, (1) commodity loans, which are short term and secured by first liens on farm products or supplies; (2) operating capital loans, which are made for the purpose of supplementing the borrowers' working capital, may be secured or unsecured, and are made on both a short-term and medium-term basis; and (3) facility loans made for the purpose of assisting in financing or refinancing the cost of construction, purchase or lease of land, building, equipment or other physical facilities. Facility loans must be secured, must be repaid within 20 years and may not exceed 60 percent of the appraised value of the collateral security. Rates of interest charged by the banks for cooperatives are determined by the Governor of the Farm Credit Administration but may not exceed 6 percent per annum. At the present time, the predominating rates are from 2 1/2 to 2 3/4 percent for commodity loans, 3 percent for operating capital loans, and 4 percent for facility loans. The greater part of the capital of the banks for cooperatives is owned by the United States Government, but capital is also furnished by borrowing associations, which are required to purchase stock from a bank for cooperatives equal to 5 percent of the amount of operating capital and facility loans granted to them, and one percent of the amount of their commodity loans. Loan funds are obtained from Government capital in the banks and borrowings and, for the Central Bank for Cooperatives, debentures are sold to the investing public.

Washington office - All the activities of the Farm Credit Administration are conducted under the general direction and supervision of the Secretary of Agriculture. Executive authority over the Farm Credit Administration is exercised by the Governor, who acts principally through deputy governors, four commissioners, and other heads of divisions.

The Farm Credit Administration at the central office level is divided into four major operating divisions, consisting of the Land Bank Division, the Production Credit Division, the Intermediate Credit Division, and the Cooperative Division. Each division is headed by a Commissioner who is directly responsible for the supervision and coordination of the respective lending institutions in the 12 Farm Credit districts. Each division maintains a continuous review of the fiscal, financial, and credit operations of the respective institutions. They are responsible for review and authorization of sales of



bonds and debentures, and generally review the work in the field as a basis for carrying out statutory responsibilities of the Administration.

There are two other operating divisions which are important. The Examination Division is charged with the responsibility of examining, at least annually, all of the corporations and associations of the Farm Credit System. The Cooperative Research and Service Division provides research and service facilities to farmers' cooperative associations.

The program of the Cooperative Research and Service Division has as its main purpose the improvement of existing methods and practices and the development of new ones for use by associations of producers of agricultural products in such fields as processing, warehousing, manufacturing, storage, purchasing, credit, financing, insurance, and other types of service.

The Division works closely with State and Federal agricultural research and extension groups and participates in farm cooperative conferences called by agricultural colleges and other agencies. To carry out the objective of its program, the Division develops and distributes the results of its research studies to farmers' cooperatives which request them.

Other divisions in the Washington office provide necessary services for the field organizations and for the use of the operating divisions which have been mentioned.

#### Progress Toward Member Ownership

A fundamental principle of the Farm Credit Administration is to encourage and develop agricultural cooperative institutions with farmer ownership as the ultimate objective, especially insofar as the institutions it supervises are concerned. Substantial progress has been made in this respect. The Federal land banks are now wholly owned by farmer borrowers, primarily through ownership of stock in the national farm loan associations. The banks have repaid to the Government all of the initial capital provided under the provisions of the Federal Farm Loan Act, and the additional capital (125 million dollars) and paid-in surplus (189 million dollars) provided during the severe depression of the early thirties.

The production credit corporations, which are wholly owned by the Government, provided the initial capital of the production credit associations by purchasing association stock with funds available from the corporations' capital fund provided by the Government. The corporations' investment in stock of the associations has been greatly reduced.



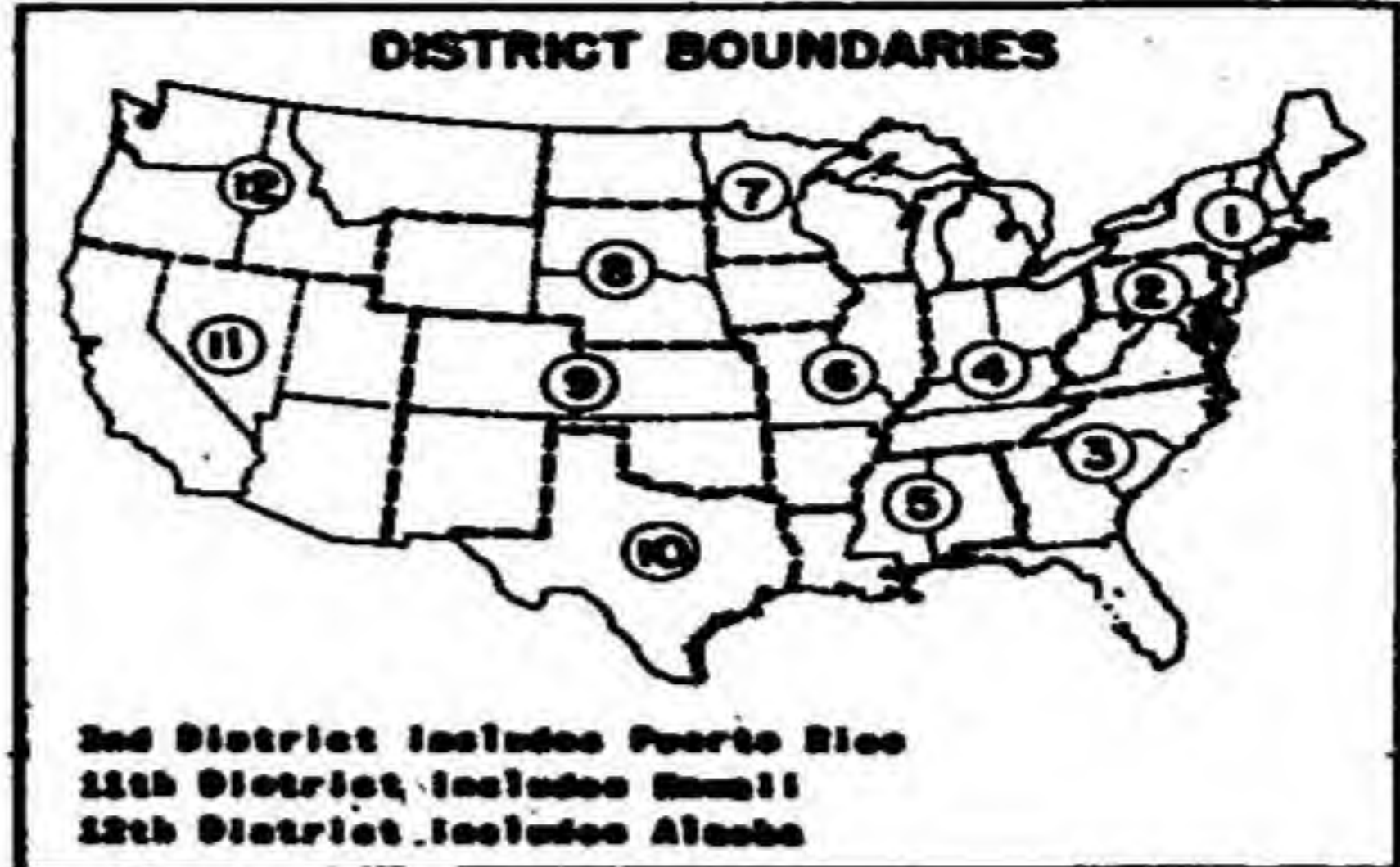
As of January 5, 1952, a total of 238 production credit associations were completely member owned, and it is intended that all capital provided by the corporations will ultimately be fully retired and all associations will be wholly owned by their members.

All of the capital provided by the Government has either been repaid or is intact and unimpaired and each of the banks and corporations has accumulated substantial reserves.



Organization Chart  
FARM CREDIT ADMINISTRATION  
and  
Supervised Agencies  
*Approved: J. W. Duggan*  
November 1, 1951

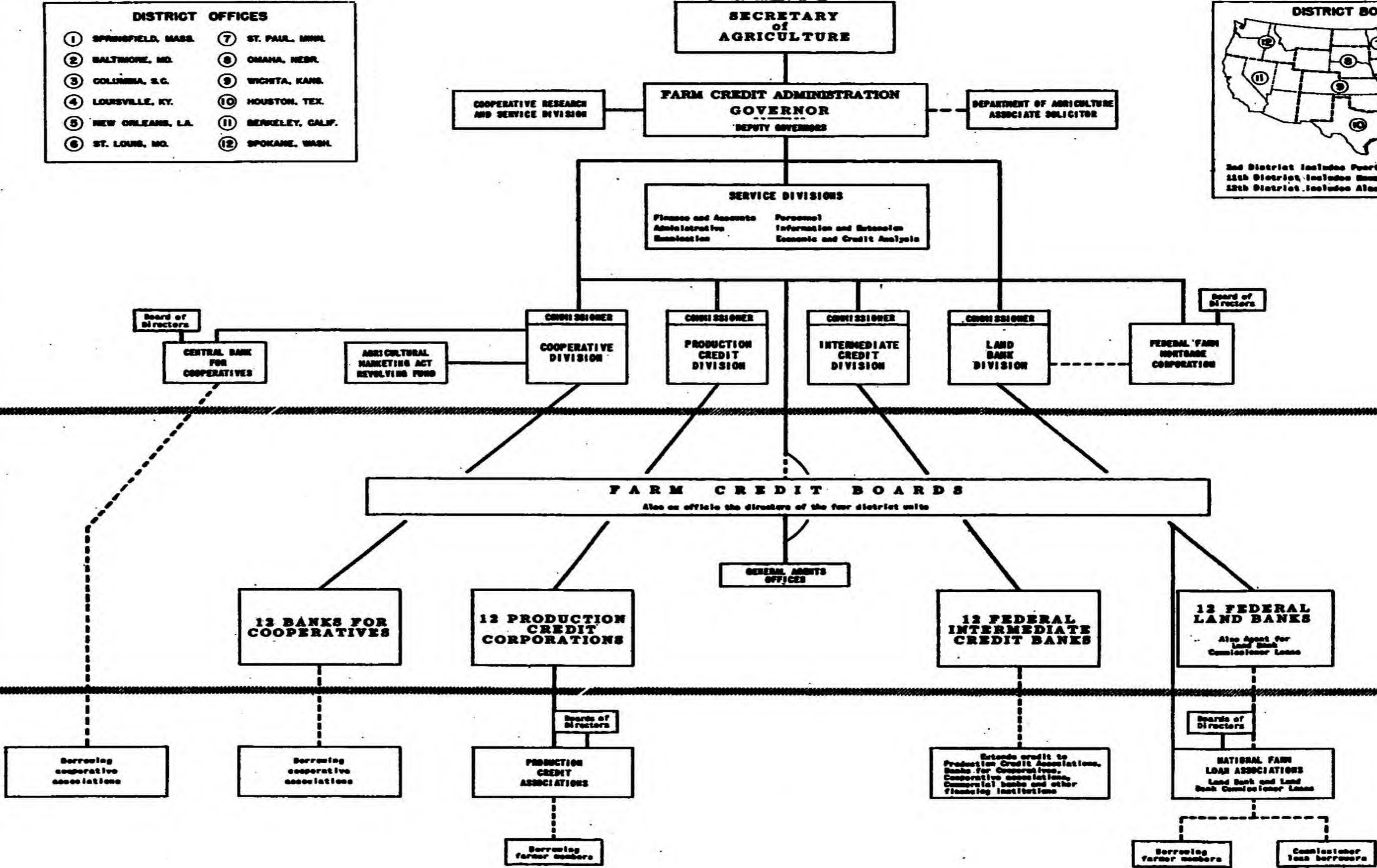
DISTRICT OFFICES			
①	SPRINGFIELD, MASS.	⑦	ST. PAUL, MINN.
②	BALTIMORE, MD.	⑧	OMAHA, NEBR.
③	COLUMBIA, S.C.	⑨	WICHITA, KANS.
④	LOUISVILLE, KY.	⑩	HOUSTON, TEX.
⑤	NEW ORLEANS, LA.	⑪	BERKELEY, CALIF.
⑥	ST. LOUIS, MO.	⑫	SPOKANE, WASH.



WASHINGTON  
OFFICE

DISTRICT  
OFFICES

LOCAL  
ASSOCIATIONS





## THE FARMERS HOME ADMINISTRATION AND ITS PROGRAM

The Farmers Home Administration, an agency within the U. S. Department of Agriculture, was created by the Farmers Home Administration Act signed by the President on August 14, 1946. The Act abolished the Farm Security Administration and the Emergency Crop and Feed Loan Division of the Farm Credit Administration and provided for transfer of their assets to the new agency.

The predecessors of the Farmers Home Administration came into being as long ago as the early '30s when millions of farmers were being driven off the land or threatened with ruin because of depression prices coupled with disastrous drought conditions. The program was designed to help the farmers win their fight to remain on the land. Technical guidance and assistance by agriculturally trained personnel came into the picture along with credit as a further means of helping farm families help themselves.

At about the time the Farmers Home Administration was established, census figures showed that over two million U. S. Farm families had an average annual gross value of products ranging from \$400 to \$1,500. In 1948, further studies showed that out of 5,680,000 farm families headed by people from 21 to 64 years of age, 2,630,000 had annual average incomes of less than \$2,000.

Farm families in this income group are generally unable to secure private credit to make needed adjustments in their farming, obtain additional acreage, or improve their land, buildings and equipment. Without these adjustments, they cannot fully utilize their available family labor or manpower and cannot begin to produce to their full potential capacity.

The program of the Farmers Home Administration provides for supervised agricultural credit for farmers, including veterans interested in farming, who are unable to obtain essential credit from other sources on reasonable terms and conditions. Emphasis is placed on helping family-type farm operators use the loan funds to improve their enterprises, strengthen their tenure status, adopt better farm practices, thereby increasing their farm production and net incomes.

Under various programs within the structure of the agency, loans may be made for farm and home operations; purchase, improvement, or enlargement of family-type farms; installation or repair of farm water facilities; construction or repair of farm buildings; and to continue farming operations in instances where severe production losses have been sustained due to natural disasters.



While the present program is broader than those of the agency's predecessors, it is designed to carry on most of the functions performed by those former agencies.

Following its establishment by the Farmers Home Administration Act of 1946, the agency was staffed largely with personnel who had served in the Farm Security Administration and the Emergency Crop and Feed Loan Division of Farm Credit Administration. Many of the employees brought with them some ten years of experience in supervised credit experience. Congress, in enacting legislation authorizing the agency, also had this experience to guide it. As a result, the legislation authorized a flexible program to enable small farmers and young farm-minded veterans to create and maintain sound family farm operations. The agency is able to help the small farmer reach his objectives of improved production and income by supplying credit and supervision, whether his needs are for land ownership or improvement, livestock, equipment, improved managerial ability or a combination of these essentials.

Since the war the Farmers Home Administration has been assisting small farmers more and more to reorganize farming systems, replace one-crop farming with greater diversification, plan for full utilization of land and family labor resources, plan and carry on farm development and enlargement programs, produce their own home living requirements and, in short, implement the recommendations of other agencies in the Department of Agriculture to improve their living conditions and gain greater security through better farming operations.

### Administrative Structure

The program of the Farmers Home Administration is divided into two broad classifications -- real estate credit and farm operating credit. In the national office at Washington, D. C., the Farm Ownership Division handles the technical phases of farm ownership credit and housing loans, while the Production Loan Division performs this function with respect to operating, water facilities, and disaster loans.

Other divisions in the national office, aside from the Administrator's Staff, include: Administrative Analysis, Administrative Services, Budget, Examination, Finance, Information, and Personnel.

Forty State Directors head up as many State offices which are staffed with clerical, administrative, and program service people. Some state offices serve more than one state. Each state has a State Advisory Committee of nine prominent citizens.



The county offices, each headed by a county supervisor with necessary clerical help and in some heavy-load counties with an assistant, deal directly with the applicants and borrowers. Because actual operations are largely decentralized, most loan making authority is delegated to the county supervisors. Supervisors and assistants are trained in farm and home management. Each agricultural county has a committee of three local citizens, at least two of whom are farmers who determine applicants' eligibility. This same committee must certify to the value of farms purchased by eligible farmers with loan funds. In all phases of Farmers Home Administration's program veterans are given preference.

### Farm Ownership Loans

Farm ownership loans bear 4 percent interest and are amortized over a 40-year period. However, repayments are actually made according to current income from the farms; and as a result, more than one third of the loans have already been repaid in full by borrowers who are now farming their own land.

The farm ownership loan program was originally established in 1937 under the Bankhead-Jones Farm Tenant Act. The Farmers Home Administration Act provided for the new agency to continue the program, and enlarged it to include loans to farm owners for the development or enlargement of their units to efficient family farms. Also established was the insured farm mortgage program providing for Government guarantee of repayment of loans and interest advanced by private lenders. Under this program, the borrower is required to advance 10 percent of the value of the farm as a down payment to the seller. The borrower pays 4 percent interest on unpaid balances, with one percent going to the Government and three percent to the lender. Farmers Home Administration services the loan and otherwise treats it and the borrower the same as though it were a direct loan. Farm ownership loans, either direct or insured, are available only to farmers who cannot obtain adequate credit elsewhere. Farm ownership loans must be refinanced through cooperatives or private credit whenever the borrower's equity becomes sufficient to make this possible.

Originally, farm ownership loans were made only for the purchase of family-type farms by tenants, sharecroppers or farm laborers. They were called tenant purchase loans. Now that farm enlargement and farm improvement or development loans have been added, they have steadily increased in number during the past five years. In fiscal 1951, counting direct loans and insured loans advanced by private lenders, new loans for development and enlargement outnumbered the tenant purchase loans.

Farm enlargement loans are made to owners whose farms are too



small to operate as efficient family-type units. Farm development loans are for land improvements such as drainage, terracing, clearing, fencing, or basic land treatment, or to add or repair necessary buildings. The main purpose of either type of loan is to create a farm on which the family can earn an adequate income.

### Farm Housing Loans

The Housing Act of 1949 authorized loans to farm owners to construct or repair farm dwellings and other farm buildings. These are 4 percent loans, not to exceed 33 years. Recent defense program requirements have reduced the time limit to 25 years on most loans exceeding \$2,500, and to 20 years for loans over \$7,000. Veterans and families of deceased servicemen have preference. Loans may be made to farm owners not earning the major part of their income from agriculture as well as to family-type farm operators. Landlords unable to obtain credit elsewhere may borrow to improve housing for tenants and hired workers living on their farms.

Loans can only be made to farm owners, and a "farm" is described as land operated as a single unit for the production of agricultural commodities for sale or home use which have a gross value of at least \$400 based on 1944 commodity prices. It is expected that any building erected or repaired will have, when completed, a sound foundation, strong walls, a tight roof, and will meet similar minimum construction standards. Types and designs of construction are determined by prevailing suitable construction in the area or neighborhood where loans are made. Loans are secured by a mortgage on the farm, subject to any existing prior liens, and such additional security as may be necessary to protect the Government's investment.

### Operating Loans

Operating loans are made by the Farmers Home Administration to help eligible operators of family-type farms get ahead through better farming.

Under its existing authorities, the agency makes operating loans (1) to eligible applicants who are operating family-type farms, and who can and will take advantage of assistance to make needed improvements in their farm and home operations; and (2) to eligible applicants who are already conducting family-type farming operations of a satisfactory nature but who, because of conditions beyond their control, are in need of emergency credit for annual operating expenses to continue their farming operations during the current year. The broad objective of operating loans is to help family-type farm operators become established as successful farmers, able to operate on their own resources or through lines of credit with banks, cooperative



lending agencies, or other responsible sources.

Applications from eligible veterans are given preference, but both veterans and non-veterans must meet the same qualifications and requirements.

Supervision in the form of practical guidance and technical assistance accompany operating loans. County supervisors are qualified to help applicants work out sound farm and home plans to fit their family labor and land resources. Long-time plans are aimed at making the adjustments necessary to place the operations on a sound and profitable basis. Annual plans are made and carried out in line with the steps necessary to reach the long-time goal of better farming and adequate income. The supervisor's work includes visits to the farm and home to advise with the family on current operations, and to assist further with necessary planning. The supervisor furnishes a record book and teaches the family, if necessary, its use. Keeping records of income and expenses shows the results of the year's operations and helps determine the changes needed in the future to improve the farming operations and income.

Loans and plans for adjustments in operations cover an average of about five years. The loans bear 5 percent interest and are repayable in one to seven years. The largest amount of operating loan credit that can be extended to a borrower at any one time is \$7,000. His total operating loan indebtedness cannot exceed \$10,000. Loans are secured by first mortgages on the livestock and equipment bought or refinanced with the funds, and by a mortgage on the crops.

The demand for this type of credit, as reflected in the number of applications received in the county offices each year, is greater than the agency can meet. Applications are carefully screened, and care is taken to see that the service helps bring about better farming, an acceptable standard of living, and greater contributions to production of food and fiber.

#### Water Facilities Loans

Water facilities loans are made to individual farmers and to farmer groups in the western areas of the United States to install or repair facilities to provide water for use at the farmstead or for the irrigation of crops. Interest rate is 3 percent per year for periods up to 20 years, the length of time depending on the usefulness of the facility. No project or group loan may exceed \$100,000, and individual loans are usually for \$5,000 or less. The agency gives technical help in planning and constructing water facilities, and in using the water made available by the facilities. The agency



also provides advice and guidance to those water facilities borrowers who need it to make adjustments and improvements in farm and home operations.

#### Disaster Loan Program

The disaster loan program authorizes emergency loans to farmers and stockmen in areas hit by production disasters such as droughts, floods, unseasonable hot or cold weather, or insect infestations. Public law 38, in authorizing the program, made a revolving fund available for this purpose. Loans are made only in areas designated by the Secretary of Agriculture, and they are for the purpose of helping farmers continue in production after losses or crop damage that have been brought on by the disasters.

#### THE STORY IN FIGURES

The following numbers and amounts show the approximate progress at the end of the fiscal year 1951 (June 30, 1951), and include loans and collections during the existence of the Farmers Home Administration, or from November 1, 1946:



From November 1, 1946, through June 30, 1951  
(Collections to May 31, 1951)

Production and Subsistence Loans

Number of loans made	600,000	
Total loaned		\$434,500,000
Repaid, interest included <sup>1/</sup>		248,000,000

Farm Ownership Loans

Number of loans made	16,000	
Total loaned		\$106,100,000
Repaid, interest included <sup>2/</sup>		137,196,000

Insured Mortgage Loans

Number of loans insured	6,000	
Total amount		\$ 45,500,000
Repaid, interest included		2,766,000

Water Facilities Loans

Number of loans to individuals	5,000	
Number of associations	100	
Total amount, individuals		\$ 8,683,000
associations		2,113,000
Repaid, interest included <sup>2/</sup>		
individuals		4,519,000
associations		513,000

Farm Housing Loans

Number of loans made	9,100	
Total loaned		\$ 42,000,000
Repaid, interest included		1,888,000

Disaster and Flood Loans

Number of loans made	43,200	
Total loaned		\$ 58,000,000
Repaid, interest included		27,280,000

(Farmers Home Administration has also collected \$250,000,000 since November 1, 1946, from former borrowers of predecessor agencies.)

<sup>1/</sup> Does not include collections on accounts of predecessor agencies.

<sup>2/</sup> Includes collections on accounts contracted prior to Farmers Home Administration Act.